FINANCIAL TIMES

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Brown switches decision-making to Bank of England in radical move

Chancellor surrenders control of UK rates

UK chancellor Gordon Brown yesterday: Removing "party political considerations" from the setting of interest rates

By Robert Chote and Wolfgang Münchau

Mr Gordon Brown, the UK chancellor, yesterday surrendered control of interest rates to the Bank of England in a revolutionary attempt to reassure financial markets that the new Labour government will not take risks with the economy for political ends.

The move brings the UK's central bank much more in line with other European central banks and constitutes a key preparatory step for the UK's participation in European economic and monetary union.

European monetary officials welcomed the move as a step *in the right direction. Opinion* in financial markets was divided over whether the granting of operational autonomy would increase the chances of early UK participation in Emu. In order to prepare the Bank for the independence it has long sought, Mr Brown announced a series of reforms to its internal structure, which he described as the most radical since its establishment more than 300 years ago.

"We must remove the suspicion that short-term party political considerations are influencing the setting of interest rates," he said. "The government will continue to set the inflation target and the Bank will have responsibility for setting interest rates to meet the target."

Financial markets reacted enthusiastically, with expecta*tions that inflation will fall in* the future and push down long-term interest rates. But the pound rose sharply on the news, threatening to worsen the imbalance within Britain's "two-speed" expansion. In his first and last monthly monetary meeting with Mr Eddie *George, the governor of the* Bank, the chancellor also decided to raise interest rates by a quarter-point to 6.25 per cent.

The governor agreed with the decision, which he had been urging unsuccessfully on Mr Brown's Conservative pre*decessor*.

"My judgement is that we have inherited a situation in which, in the absence of corrective action, inflation will overshoot the government's inflation target next year," Mr Brown said. The internal forecasts prepared for Mr Brown *by Treasury officials suggest* that underlying inflation – excluding mortgage interest payments – will be nearer 4 per cent than 3 per cent by the end of next year, an aide said.

Under the new regime, the formal inflation target will remain 2.5 per cent or less.

Base rates will henceforth be

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German jobless still rising in weak recovery

News of rising orders promised further manufacturing-led growth in Germany, but the highest April jobless figures since 1945 showed recovery is still too weak to cut unemployment. The federal labour office reported that unemployment fell by 130,400 to 4.35m in April from March, reducing the unadjusted jobless rate from 11.7 per cent to 11.3 per cent. But unemployment, after adjustment for seasonal variations, rose 8,000 in the month to 4.3m. While the seasonally-adjusted jobless rate stayed unchanged at 11.2 per cent, last month's total was 379,800 higher than last April's. Page 2

CVRD auction suspended: An auction of shares in Brazil's Companhia Vale do Rio Doce (CVRD), the world's largest iron ore producer, was dramatically suspended after a group of the company's employees won an injunction against the sale while bidding was taking place. Page 16

Nazi gold in London: Some of the Nazi gold lying in Bank of England vaults may well have come from concentration camp victims, the UK foreign office conceded. Foreign secretary Robin Cook announced that Britain intended to host an conference on the issue. Page 16

French clash on privatisation: The combatants in France's election campaign clashed on the issue of privatisation, with the centre-right government insisting on the financial need to continue state asset sales. Page 2

World Bank leads sterling charge: Sterling's rally on the currency markets touched off a rush of bond issues that matched the highest daily volume of sterling-denominated issues this year. Page 17.

Charges against former Indian PM:

An Indian court framed formal charges against Mr P.V. Narasimha Rao, former prime minister, and 19 other politicians in a vote-buying scandal. The judge rejected a request that Mr Rao's successor as Congress party leader, Sitaram Kesri, be summoned in the same scandal. Page 6

EU wary of tax poaching moves: Taxation experts meeting in Brussels discussed options for a code of conduct to stop unfair tax competition among the 15 member states of the EU - but several delegations indicated that they would not want a code to be legally binding. Page 3

Grey power in Poland: The Polish *government's* plan to move towards a privately managed, fund-based pension system has received welcome support from the fast-growing pensioners' rights party. Page 3

Italian mini-budget vote: A vote of confidence called by Italy's centre-left government in support of the L15,500bn ($9bn) mini-budget unveiled at Easter passed easily yesterday in the chamber of deputies. Page 3

EU budget fraud rises: Fraud against the European Union's budget rose sharply last year, with criminals siphoning off some Ecu1.3bn ($1.5bn) of taxpayers' money compared with Ecu1.1bn in 1995. Page 2

Ifil and Auchan link: Ifil, the Agnelli family holding company, and French retailers Auchan agreed to pool their Italian interests to form a $5.2bn retailing group. Page 17

Ukraine's prime minister, Pavlo Lazarenko, defended himself against allegations of corruption in a public relations effort aimed at western governments. Page 3

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■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7233.35	(+18.65)
NASDAQ Composite	1331.17	(-8.07)
Europe and Far East		
CAC40	2651.93	(-20.91)
DAX	3568.28	(+39.5)
FTSE 100	4519.3	(+63.7)
Nikkei	20,180.92	(+666.17)

■ US LUNCHTIME RATES

Federal Funds	$5\frac{7}{16}$%
3-mth Treas Bills: Yld	5.166%
Long Bond	$96\frac{11}{16}$
Yield	6.882%

■ OTHER RATES

UK: 3-mo Interbank	$6\frac{5}{16}$%	($6\frac{1}{2}$%)
UK: 10 yr Gilt	$101\frac{3}{16}$	($99\frac{3}{32}$)
France: 10 yr OAT	98.65	(98.52)
Germany: 10 yr Bund	102.02	(101.90)
Japan: 10 yr JGB	104.0369	(103.146)

■ NORTH SEA OIL (Argus)

Brent Dated	$17.77	(17.77)

■ GOLD

New York: Comex		
(May)	$340.2	(343.0)
London:		
close	$342.75	(339.9)

■ DOLLAR

New York: lunchtime		
£	1.635	
DM	1.72295	
FFr	5.8103	
SFr	1.46	
Y	125.40	
London:		
£	1.6366	(1.6182)
DM	1.7231	(1.7285)
FFr	5.816	(5.8276)
SFr	1.4641	(1.4723)
Y	125.41	(126.735)
Tokyo close:	Y 125.855	

■ STERLING

DM	2.8199	(2.797)

NTT joins venture to develop Malaysia cybercity

By James Kynge in Kuala Lumpur and Michiyo Nakamoto in Tokyo

Nippon Telegraph and Telephone, the Japanese telecommunications giant, will today form a joint venture company with several Malaysian companies to build Cyberjaya, a multi-billion dollar "intelligent city" which will be at the heart of what Malaysia hopes will be its version of California's Silicon Valley.

Senior Malaysian officials said NTT would take a 15 per cent *stake in the new company*, to be called Cyberview. The move makes NTT the sole foreign stakeholder and the most committed foreign participant in Malaysia's principal industrial plan: to create a 750sq km "*multimedia super*corridor (MSC) near Kuala Lumpur, the capital, for media and information technology companies.

The Japanese company, which is actively seeking *opportunities in south-east* Asia, is also expected to join forces with Malaysian companies to set up within the MSC a "multimedia university" to concentrate on teaching and research in many aspects of *information technology*.

Officials did not divulge the size of Cyberview's capital but one described the investments by participating companies as "very large". The new company is charged with developing the bulk of the new city's infrastructure – roads, offices, commercial complexes, hotels and a telemedicine hospital. Cyberview's nine stakeholders may undertake such infra*structure projects themselves* or sub-contract them out.

Cyberjaya, which will be about 25km south of Kuala Lumpur and eventually have

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Tokyo to resume selling NTT shares, Page 24

'Secret laboratory used in gold fraud'

Indonesia bans Bre-X and launches probe

By Bernard Simon in Toronto, Manuela Saragosa in Jakarta and Clay Harris in London

Bre-X Minerals workers used a secret laboratory in or near the Borneo city of Samarinda to carry out history's biggest mining fraud, according to the independent audit which proved the "world's biggest gold deposit" at Busang was a fake.

Bre-X shares plunged to 6 Canadian cents when trading re-opened yesterday on the Toronto Stock Exchange. Although they recovered to 8 cents, the company, valued at C$6.8bn (US$4.85bn) last year, is now worth less than C$20m.

The 150-page report by Strathcona Mineral Services, a Canadian mining consultancy, said the "salting" which introduced gold particles into samples from the Indonesian mine site was well organised and *not an amateur operation*.

Although Strathcona did not try to identify the culprits, new evidence has fuelled suspicion about the death of Mr Michael de Guzman, the Bre-X geologist who plunged from a helicopter in March. He was flying to a meeting with geologists from Freeport McMoRan Copper & Gold, the US mining company which was to have been Bre-X's Busang partner.

Mr Jim Bob Moffett, Freeport's chairman, said Mr de Guzman "knew we were having problems confirming their assays. He was coming back to explain what he thought might be the problem".

Freeport's finding of "insignificant" traces of gold at Busang prompted Bre-X to hire Strathcona to conduct an independent audit. After the Strathcona report, Freeport withdrew from Busang as did Nusamba, Bre-X's local partner in which Indonesia's President Suharto has an indirect *interest*.

The Indonesian government yesterday banned Bre-X and affiliated companies from the country. Work at Busang was suspended and licences awarded in 1995 for exploration of areas next to Busang's "richest" field were cancelled.

Mr Ida Bagus Sudjana, mines and energy minister, said police would interrogate foreigners as part of an investigation into the disparity between Bre-X's and Strathcona's findings. He said: "Some people may think these actions are exaggerated but we think they are fair."

A harder line on foreign activity in the mining sector was evident. Mr Sudjana said the government had asked for a stake of "at least" 10 per cent in a copper and gold project being developed by Newmont Mining of the US. He said the request was based on "nationalistic interests".

The Indonesian Observer newspaper yesterday described the Bre-X affair as the stuff of "second-rate airport paperbacks".

Bre-X shares, which were suspended on Monday after the Strathcona report was published, had closed on Friday at C$3.23. About 56m shares, a quarter of the total in issue, had changed hands by early afternoon in Toronto and Montreal. Nasdaq halted trading in mid-morning.

A trader at Gordon Capital in Toronto said: "Everybody's been relatively calm, just trying to get away from the stock." Most of the buying was ascribed to covering by investors who had sold short in anticipation of a negative report from Strathcona.

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Pakistan in $100m eurobond issue

By Farhan Bokhari in Islamabad and Edward Luce in London

The Pakistan government is to issue its first international *bond since Ms Benazir Bhutto* was toppled from power last October, testing international reaction to the reform-oriented government of Mr Nawaz Sharif.

The $100m sovereign eurobond issue coincides with a government initiative announced yesterday to open the country's capital markets to foreign investors.

The government hopes to encourage *foreign investment* in rupee-denominated Pakistani securities under the package of reforms. They include measures which could lead to the scrapping of the 60 per cent tax on the interest paid on Pakistani bonds which foreign investors are currently required to pay. Foreign companies will also be free to trade Pakistani securities on the domestic secondary debt markets.

Repatriation of profits on *bond income would, however,* still be subject to certain restrictions.

Mr Shamim Ahmed Khan, chairman of the government's corporate law authority, the main regulator of companies and the stock markets, said: "We practically have no fixed-income or debt or bond markets at all," adding that the reforms would help to create one.

The *domestic corporate* sector is tiny, with only four bond issues in circulation, totalling 2bn Rupees.

Businessmen welcomed the measures which come at a time when the country is

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NEWS: EUROPE

EU budget fraud rises sharply

By Emma Tucker in Brussels

Fraud against the European Union's budget rose sharply last year, with criminals siphoning off some Ecu1.3bn ($1.5bn) of taxpayers' money compared with Ecu1.1bn in 1995.

A large proportion of the losses ended up in the hands of organised international crime syndicates involved in drug smuggling, trafficking in human beings, car theft and money laundering.

But Ms Anita Gradin, commissioner responsible for tackling fraud in the EU, said the rise reflected a greater detection rate and a decision by the European Commission to target its efforts on large scale international fraud via Uclaf, its own anti-fraud unit.

In its annual report on fraud published yesterday, the Commission said that Uclaf uncovered 200 of the 4,500 cases detected last year but that these accounted for more than half the total sum lost. The other cases were handled by the member states.

The annual budget for the EU last year was Ecu82bn, financed principally from value-added tax, customs duties and agricultural levies paid on goods entering from outside the Union. Just under half went to subsidise agriculture, and a third supported underdeveloped regions. Some 15 per cent was spent on research and development, the environment and aid to non-member countries. Only this last part was handled by the Commission. The rest was administered by member states.

By far the biggest problem for the EU is the growing number of criminal organisations, generally established outside the EU but with a solid network inside, which smuggle in alcohol and cigarettes without paying excise or customs duties, or VAT.

Typically the goods arrive in northern EU ports, labelled incorrectly, or labelled as being destined for non-EU countries. The Commission estimates that total revenue lost is Ecu800m although it admitted that the real figure could be much higher. Italy, Spain and Germany are the main markets for smuggled cigarettes but the Commission fears other countries will soon be targeted as the criminal organisations, which use companies based in Switzerland, Liechtenstein, Cyprus and the Caribbean to launder money, become more sophisticated.

In the agricultural sector, 2,016 cases of fraud were detected involving Ecu345m – roughly 0.8 per cent of the agriculture budget. About 700 misdemeanours were carried out by farmers. There were also large cases of fraud involving regional funds, and even more involving social funds.

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Rising orders fail to provide enough growth to bring down unemployment rate

German jobless at post-war high

By Peter Norman in Bonn

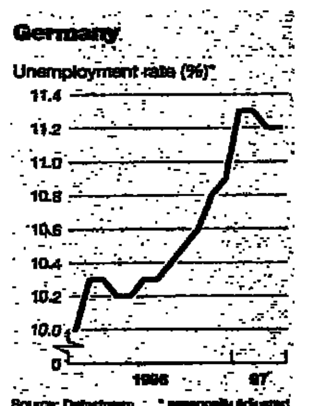
News of rising orders and increased capacity use yesterday promised further manufacturing-led growth in Germany, but the highest April jobless figures since 1945 showed recovery is still too weak to cut unemployment.

The Nuremberg-based federal labour office yesterday reported that unemployment fell by 130,400 to 4.35m in April from March, reducing the unadjusted "headline" jobless rate to 11.3 per cent from 11.7 per cent. But indicating no underlying improvement, unemployment after adjustment for normal seasonal variations rose by 8,000 in the month to 4.3m. While the seasonally adjusted jobless rate stayed unchanged at 11.2 per cent, last month's jobless total was 379,800 higher than in April last year.

The latest rise in seasonally adjusted unemployment contrasted with financial market expectations of a 20,000 fall. Mr Bernhard Jagoda, the labour office president, blamed the disappointing figures on insufficient economic growth and warned that the economy must expand by more than 3 per cent to create jobs. "The business cycle is still too weak to produce a turnaround in the labour market," he said. "Growth of 2 per cent is not getting us off the starting blocks."

Mr Jagoda's warning came as separate figures for March manufacturing orders and capacity use pointed to moderate rather than rapid growth.

The Ifo economic research institute in Munich reported that western German manufacturers boosted use of their plant and equipment to a seasonally adjusted 84.9 per cent in March from 83.2 per cent in December. The March reading was the highest since 86.1 per cent in June 1995, just before the growth pause of that year, and in the upper half of the range between the recession-linked low of 77.6 per cent in September 1993 and the most recent high of 90 per cent in December 1990.



Ifo said industry would increase output in the months ahead and was especially hopeful about export prospects. But at the same time, manufacturers' orders in hand fell to an average of 2.6 months' work from 2.7 months at the end of 1996.

It was thanks only to a surge of large contracts that incoming orders rose in volume by 1.1 per cent, seasonally adjusted, between February and March, according to the Bonn economics ministry. Domestic orders were comparatively weak, increasing by 0.7 per cent, against a 2 per cent rise in orders from abroad.

Taking two months' figures, the ministry's preferred measure, orders were 1.5 per cent higher in February and March than in December and January. However, they were only 0.9 per cent up on February and March last year, when there was also a "hump" of big contracts and more working days than in 1997.

Manufacturers in eastern Germany reported exceptional order growth in the latest two months with increases of around 10 per cent compared with both the preceding two months and the same period of last year. Export orders for eastern German manufacturers jumped 51.4 per cent in February and March from the same period of last year.

However, such successes had no significant impact on Germany's east-west divide, with 17.1 per cent seasonally adjusted unemployment in the new Länder still well above the 9.8 per cent average for western Germany.

French clash on sale of state assets

By David Buchan in Paris

The combatants in France's election campaign yesterday clashed on the issue of privatisation, with the centre-right government insisting on the financial need to continue state asset sales.

Mr Jean Arthuis, the finance minister, said privatisation of sound state companies had to go ahead to provide the money for the state "to do its duty" in recapitalising lame-duck public enterprises. The government is counting on the proceeds from selling shares in France Télécom and the Thomson-CSF defence company to recapitalise other companies to the tune of FFr40bn ($7bn) this year.

Mr Arthuis accused the Socialists of letting state enterprises go "to the brink of bankruptcy" when they were in power, and claimed they were "preparing to raise taxes to refloat these companies".

Mr Arthuis' charge had a parallel with the recent UK election campaign during which the Conservatives said Labour would have to pursue privatisation if it was to stick to its pledge not to increase taxes, a promise that French Socialists have also made. Like Labour, although to a much lesser degree, the French Socialists yesterday reacted by slightly modifying their hostility to privatisation.

Mr Francois Hollande, the Socialist spokesman, said his party would take a pragmatic approach to state-controlled companies "which operate in the competitive sector, which do not carry a public service role and where state participation is no longer necessary". In his interview with the business daily La Tribune he said his party had no principled objection to the state selling small residual stakes in companies already privatised.

But Mr Hollande reiterated that "the state should keep 100 per cent of public service companies like France Télécom, La Poste, Electricité de France, Gaz de France and the SNCF railways". As regards the defence industry, he said that "we wish to maintain public control", a slightly vaguer formulation that could suggest just a majority state stake.

Privatisation had largely subsided as an issue – with the left too weak in parliament since 1993 to contest it – until the controversial attempt last year to sell Thomson Multimedia to Daewoo of Korea.

Mr Hollande categorically ruled out "any renationalisation" of companies such as the Elf oil company, the Rhône-Poulenc chemical group or the UAP and AGF insurance companies, sold off by the centre-right since 1993.

However, the government's decision to delay the France Télécom partial privatisation until after the election, and the time-lag involved in its decision on the trade sale of Thomson-CSF, would give a victorious left the opportunity to halt these sales, which Mr Hollande said the Socialists would do.

Hungary plays by EU rules with steely determination

An exceptionally cheerful receptionist welcomes visitors to the Diosgyor steelworks at Miskolc in north-east Hungary. She, like her old-fashioned red telephone and the heavy smell of canteen cooking wafting from the works kitchen, has survived the ravages of recent economic reform.

Most of the 15,000 people who used to work at the plant were not so fortunate. Their jobs disappeared after the collapse of the former Soviet bloc economies – Diosgyor's principal markets. Now, of the 2,700 jobs that remain, it is hoped that just over half will be shored up through government aid worth Ft25bn ($137m) tied to a restructuring plan.

Mr Jozsef Nemeth, deputy director general, says the conditions attached by the Hungarian government, with one eye on Brussels, to the state bail-out are as tough, if not tougher, than conditions linked to similar restructurings of steel plants across western Europe, from Germany's Ekostahl and Klöckner works to the Bresciani mills of northern Italy.

"Our subsidies are less than the subsidies received by companies in the EU, especially those situated in the founding member states," he says.

The restructuring process at Diosgyor is part of the huge effort Hungary is making to conform with European Union competition rules ahead of accession early next century.

Hungary, along with the other nine frontline applicants for EU membership – Poland, the Czech Republic, Slovenia, Bulgaria, Romania, Slovakia and the three Baltic states (Estonia, Latvia and Lithuania) – has undertaken to comply with the rules and obligations of the single market. Not only does this mean banning state subsidies in all but a few defined circumstances, Hungary has also had to implement legislation in the field of mergers, abuses of dominant positions and restrictive practices.

In Brussels the Commission official charged with overseeing the approximation of east European competition rules to those in the EU confirms the immensity of the task facing countries where less than 10 years ago, competition was a dirty word.

"They didn't have a competition law, because they didn't have a market economy; they didn't have the staff, the institutions, the legislation; they are really starting from scratch," he says.

But among the assorted economies lining up to join the EU, Hungary, the Czech Republic and Poland are making steady progress.

Hungary has taken up the challenge with gusto. From a room overlooking the Danube river Mr Ferenc Vissi, president of the Office of Economic Competition, proffers a letter from Mr Alexander Schaub, head of the European Commission's competition directorate. The letter praises the office for its "remarkable effort" to simplify competition rules in the complex field of vertical agreements, exclusive deals between producers and distributors which hinder competition. Hungary, says Mr Vissi, is not only adopting EU competition policies, it is improving on them.

Privately, some Commission officials admit that the applicant countries have been able to learn from the EU's mistakes, cutting through some of the bureaucracy that hampers the administration of competition rules in Brussels.

But even if the rules are in place, the officials doubt that a competition culture has yet fully permeated the system. "The rules on anti-trust are in place in most countries, but sometimes the mentality of the past gets in the way," says one official, citing the break-up of Poland's sugar monopoly.

The owners of the new entities knew each other and immediately sat down together, carved up the market and agreed on prices. Happily for the Commission, fines were subsequently imposed by Poland's fledgling competition office.

According to Mr Vissi, nurturing a competition culture in Hungary has been easier than in other former command economies because Hungary, which was a relatively prosperous country before the second world war, has competition rules dating back to the 1920s.

Furthermore, anti-trust rules and a ban on the abuse of dominance were adopted as early as 1984, a reflection of Hungary's tentative moves toward liberalisation.

This led to some odd contradictions, says Mr Vissi, who at the time was both deputy president of the national pricing office and also responsible for implementing the anti-trust laws. "It was quite a funny thing," he jokes. "In the morning hours we fixed prices, and in the afternoon hours we tried not to."

If the 1984 rules did not result in any court cases, they at least signalled life after the communist era had ended. In 1990 a competition action plan was adopted. It was updated last year to bring it more in line with EU rules. The message, says Mr Vissi, is that companies who think they will get laxer treatment in Hungary than in EU countries should think again.

His warning is backed up by Mr Janos Burai-Kovacs, a lawyer who advised the government on the break-up of former state monopolies.

"There are market players who come to Hungary thinking they will face fewer controls, that they will be able to merge in a manner they can't do at home," he says. "They will have problems in the future because the Hungarian government is devoted to joining the EU."

Already, some of the cases caught by the new law have involved overseas investors. Polygram, the entertainment group, was fined Ft1m for abusing its dominant position in the Hungarian CD and cassette market.

Progress is less clear-cut in the area of state aid. The European Commission – which polices aid in the EU – has no say at least until Hungary joins the Union. Until then it can only watch and exert pressure, although the applicant countries have agreed to model their state aid principles along those of the EU.

Aid paid out in east European countries is often more hidden than the restructuring grants paid to the Diosgyor steel works. It reaches companies via tax breaks, for example. Hungary has its own grey areas, not just in heavy industry, but also in banking, where the government had to help the sector out of a crisis.


Ferenc Vissi: nurturing a competition culture

According to Mr Andras Inotai, head of Hungary's Task Force on European Integration, there is one good reason why state aid will not represent a large problem to his country's EU aspirations. "We have a lot of financial constraints and are simply not able to subsidise our companies," he says.

Countries such as Hungary are not blind to the true situation in the EU, where governments between 1992 and 1994 paid out Ecu43bn ($48.5bn) in subsidies to manufacturing industry. It is perhaps not surprising that in summing up the progress made by the applicant countries on competition policy, one EU diplomat said: "Within 10 years or so, you will see the Czech Republic and Hungary surpassing certain member states."

Emma Tucker

EU Schengen accord near

By Lionel Barber in Brussels

The European Union is close to a deal which would bring the Schengen accord on frontier-free travel into the EU treaty, but with opt-outs for Britain and Ireland.

The prospective agreement would cover closer co-operation between national police forces, common policies on immigration and asylum, and the eventual lifting of all passport controls.

EU leaders view the creation of a common area of "freedom, security and justice" as one of the main selling points in the Maastricht II treaty which they hope to conclude next month at a summit in Amsterdam.

Securing the external frontiers of the EU and strengthening co-operation on asylum and immigration policy are viewed as essential before the 15 member states open enlargement talks with central and eastern Europe early next year.

The Dutch presidency unveiled a text in Brussels yesterday which would incorporate the 1985 Schengen Agreement, which provides for a gradual abolition of border controls among signatories, into the EU treaty. Officials stressed the precise role of the European Commission and the European Court of Justice remain subject to negotiation.

The new Labour government in Britain has reservations about the Court and Commission playing central roles in justice and home affairs, despite a generally more co-operative line on Europe than its Conservative predecessor.

Labour also wants an explicit reference in the Maastricht II treaty that Britain can retain control over its borders. Mr Michel Barnier, French minister for European affairs, indicated this would be possible. "Ireland and Britain will remain as islands," he said.

The Dutch hope to assuage the British with a promise that the UK and Ireland could, at any time, accept some or all of the provisions of the Schengen agreement. This would cover sharing intelligence and computer information.

The text unveiled in Brussels underlines the Franco-German-led trend toward "flexible integration" among the 15 member states, whereby some countries which are able and willing can forge ahead of others.

Germany, France, Belgium, the Netherlands, Luxembourg, Spain and Portugal are full members of Schengen. Austria, Italy, Greece, Denmark, Finland and Sweden have signed but not yet fully implemented the pact. Norway and Iceland, which share a passport-free union with the EU's Nordic nations but are not members of the EU themselves, have co-operation accords with Schengen.

EUROPEAN NEWS DIGEST

Ex-Alcatel chief fined

The former chairman of Alcatel Alsthom, the French telecoms and engineering group, received a three-year suspended jail sentence and a fine yesterday for plundering company funds to pay for security work on his private homes.

Mr Pierre Suard, who resigned in June 1995 after being placed under judicial investigation, was convicted by a district court of abusing corporate funds and fined FFr2m ($345,000). The court in Evry rejected a prosecution call to jail him for six months.

Mr Suard, 62, was ordered to repay FFr4.9m to Alcatel Alsthom, the cost of security systems installed in his three homes. He is still under investigation in a separate case involving alleged overcharging of France Télécom by Alcatel, which led to an investigating magistrate's order barring him from contact with other company executives and effectively forcing him to resign. *Reuter, Evry*

Tax breaks for EU fleet

The European Commission yesterday adopted proposals designed to discourage "flagging out" of the European Union's shipping fleet by allowing tax breaks to the sector. Member states will be allowed to exempt shipping from fiscal and social charges, or to reimburse the charges.

According to the Commission, action is needed to prevent further decline in the flagged fleet of EU countries since this decline "goes hand in hand with loss of employment for EU seafarers and the loss of maritime know-how in the Union". Brussels also argues that the "flagging out" of ships to countries such as Panama, and Liberia affects safety.

At present about one-third of the world's fleet is owned by companies in the EU, but only 12 per cent of it is registered there. The reason for this is the disparity in costs, in particular corporate tax and wage-related charges. *Emma Tucker, Brussels*

US positive about Emu

Mr Strobe Talbott, US deputy secretary of state, said yesterday that European economic and monetary union could be good for the American economy.

"We have no doubt that an Emu that cements an open single market and that sparks economic growth in Europe will be good for the American economy," he told a US-European Union conference at the State Department.

"If the EU emerges from this bold initiative able to play an even more active and constructive role on the world stage, that will be good for America too," he said.

Mr Talbott also noted that some in Europe "resist vehemently the idea that any nations to the east of what might be called 'traditional Europe' can ever be part of a larger, 21st century Europe." Citing Turkey he said: "We believe that view is quite wrong and potentially quite dangerous." *Reuter, Washington*

Denmark unveils tax package

Denmark's centre-left government yesterday unveiled a tax package aimed at putting a gentle brake on consumer demand, modestly strengthening the central government budget and helping the environment.

The measures include higher taxes for motorists, a new tax on domestic air travel, and a cut in ticket prices on rail and bus commuter services. The measures will yield an extra DKr2.4bn ($364m) in a full year, about 0.25 per cent of gross domestic product, but Mr Mogens Lykketoft, finance minister, has already indicated that further measures to tighten domestic demand in order to prevent the economy from overheating can be expected later this year.

The main new item in the tax package is a DKr75 per journey tax on domestic air travel, attacked as "discriminatory" by the airlines yesterday. But the minority government – the Social Democratic party and the Radical Liberals – has assured support for the proposals through an agreement with the two extreme leftwing parties in the Folketing, the Socialist People's party and the Unity List. *Hilary Barnes, Copenhagen*

Finns ponder currency report

Efficiency gains from membership of a European single currency would exceed costs related to the change but Finland would still be vulnerable to external economic shocks, a Finnish government-commissioned report concluded yesterday.

The report, by a panel of economists and academics, said a successful adjustment might confer more stable economic growth. A credible European Central Bank would result in lower and more stable inflation, although Finland's collective pay bargaining system would require reform in order to keep a lid on nominal wage increases.

The report will form the platform for a statement by Finland's Social Democratic-led government later this month on the timetable and procedure for joining the proposed European monetary union.

Mr Paavo Lipponen's government is broadly in favour of participation in Emu from its planned inception in 1999 and Finland is one of only a handful of EU states already qualified to join under the EU's monetary convergence criteria. *Greg McIvor, Stockholm*

Concern over bureaucrats' pay

Mr Werner Hoyer, Germany's secretary of state for Europe, said yesterday that Bonn wanted to rein in growth of pay and benefits of European Union officials by handing responsibility for salary increases to member states rather than the European Commission.

Citing pressure of public opinion about "bloated" salaries enjoyed by EU bureaucrats, he said that 12 out of 15 EU countries had signalled support for the move during discussions on a new EU treaty. Mr Hoyer said high salaries were tarnishing the EU's image at a time of sharp budget discipline to meet the goals of economic and monetary union. *Reuter, Brussels*

Yeltsin urges army reform

President Boris Yeltsin has urged his armed forces to take action over corruption and move ahead with stalled reforms. But he reassured Russia's beleaguered military leaders that he would not support "thoughtless" personnel and budget cuts.

The army "could be more active and decisive" in modernising itself and moving toward a volunteer force, Mr Yeltsin said in an interview to be published today by the military newspaper Krasnaya Zvezda. Mr Yeltsin has promised to turn the armed forces, plagued by poor morale, deteriorating equipment and severe budget cuts, into a modern volunteer force by 2000. However, Mr Igor Rodionov, defence minister, said last month that Russia had no chance of creating a volunteer army before 2005. Phasing out the draft "would automatically mean the disappearance of the armed forces," he said. *AP, Moscow*

Spanish budget surplus up

Spain posted a budget surplus of Pta407bn ($2.8bn) in April, up 45.8 per cent from a year earlier, Mr José Folgado, secretary of state for public finances, said yesterday.

In March Spain had a budget deficit of Pta660.9bn, up 4.5 per cent from a year earlier, while in the first quarter the deficit rose 37.1 per cent to Pta861.2bn.

Speaking to a parliamentary commission, Mr Folgado said revenue rose 10.4 per cent in April from a year earlier, while spending rose 4 per cent. *AFX, Madrid*

NEWS: EUROPE

Haggling over amendments short-circuited as $9bn package passes to Senate

Prodi wins mini-budget confidence vote

By Robert Graham in Rome

A vote of confidence called by Italy's centre-left government in support of the L15,500bn ($9bn) mini-budget unveiled at Easter passed easily yesterday in the chamber of deputies.

The confidence motion was imposed by Mr Romano Prodi, the prime minister, to avoid lengthy haggling over amendments which threatened to hold up preparation of the 1998 budget and the annual three-year macro-economic guidelines.

It was the 22nd such confidence motion called by Mr Prodi's administration in just under 12 months. The mini-budget will now go to the Senate where there is a clear majority. However, the same procedure may yet be used to avoid further delays.

Even before the Easter financial package is through parliament, the government is expected to move quickly to finalise the outlines of the budget for 1998. Yesterday, Mr Vincenzo Visco, the finance minister, said he hoped that it would be necessary to find no more than the equivalent of 1 per cent of gross domestic product, or around L20,000bn, to hold the deficit down to the level required for European monetary union.

Last month, the European Commission estimated that, without any correction, Italy's 1998 deficit was likely to be 3.8 per cent of GDP. Predictions by commentators on the size of the package have varied between L18,000bn and L25,000bn

Opposition parties and the business community have attacked the mini-budget for lacking measures to introduce structural changes in spending and receipts. But the most controversial element has been the resort to an advance of the tax businesses pay on "exit" payments made to departing employees.

This was originally intended to raise L6,000bn, but fierce protests from Confindustria, the industrialists' confederation, have led to concessions. As a result, receipts from this measure will be some L700bn lower.

Furthermore, in an attempt to placate the business community there will some scope for companies to take advantage of an amnesty on social security contributions that has already lapsed but will be now extended.

However, evidence of a tough hand at the Treasury is seen in further across-the-board ministerial spending cuts to save L1,300bn.

Official headline inflation for April was confirmed yesterday at an annual 1.7 per cent, a level not experienced for three decades. Mr Visco foreshadowed a small technical rise this month. This would partly reflect higher postal charges which came into effect yesterday. They were introduced in the mini-budget to compensate for a L500bn cut in state transfers to the loss-making postal service.

Economic analysts predicted inflation would move back towards 2 per cent in the second half of the year against a background of rising labour costs and a weaker exchange rate.

Ukraine PM tries to win over west

By Matthew Kaminski in Kiev

Ukraine's prime minister, Mr Pavlo Lazarenko, yesterday defended himself vehemently against widespread allegations of corruption in an unusual public relations effort aimed at western governments.

The former collective farm boss, who has headed the government for the past year, took aim at "not objective" and "negative" western media coverage for spoiling his and Ukraine's reputation abroad.

Mr Lazarenko's comments, made at a press conference organised with the help of a Washington-based public relations company, are intended to quell unease among Ukraine's western allies – principally the US – that corruption is the main reason for faltering internal reform efforts in recent months.

He also promised renewed effort to push several critical tax reform bills and the 1997 budget through parliament and to secure the renewal of International Monetary Fund lending. He said the tax laws could be passed by the end of the week.

However, in a sign of lack of economic policy co-ordination, Mr Lazarenko also said that Ukraine would not implement until after the budget was passed a plan to defend the country's currency, the hryvnia, between 1.7 and 1.9 to the dollar.

The moves suggest recent criticism of Ukraine's economic policies are hitting home and that the government realises that the evident shortcomings concerning the pace of privatisation, the lack of a budget and a poor investment climate have hurt its ambitions abroad.

Mr Javier Solana, Nato secretary-general, is due today to have talks with Ukrainian officials on a prospective charter agreement on closer co-operation. However, US congressmen last week called into question aid for Ukraine, the third largest recipient of US assistance, citing a poor investment climate.

"The lack of internal resolve hurts Ukraine in Brussels too," said a western diplomat in Kiev. "The US is not as willing to stick its neck out for Ukraine, partly because it is less paranoid about Russia."

The crux of the allegations surrounding the prime minister centre on his supposed involvement with United Energy Systems, an energy wholesaler to which Mr Lazarenko last year awarded a lucrative monopoly on natural gas sales.

"I have, and have never had, any connection with UES," he said. "Nor have my close relatives."

Lazarenko: help from a PR company to boost image

EU wary of moves to curb tax poachers

By Emma Tucker in Brussels

National taxation experts meeting in Brussels yesterday discussed options for a code of conduct to stop unfair tax competition among the 15 member states of the European Union, but several delegations indicated that they would not want such a code to be legally binding.

Armed with examples of what are considered to be the "beggar-thy-neighbour" tax policies of other countries, the group confirmed that excessively favourable tax regimes represented a threat to the single market.

Chief targets include tax havens such as Luxembourg – a particular German bugbear – and Ireland's Dublin Docks, which other member states accuse of creaming off valuable revenue by offering particularly low business and savings taxes. Belgium has also been criticised for various corporation tax regimes which treat multinationals lightly.

But in spite of a consensus from member states that such policies distort competition, Mr Mario Monti, the single market commissioner, may not be able to construct as tough a code of conduct as he would like.

"Some delegations made it clear that the sort of thing they could sign up to could not be legally binding," said one diplomat.

France and Germany have been particularly irritated by so-called "tax-poaching" particularly in the last few years as they have grappled to reduce their deficits ahead of economic and monetary union.

Spurred on by their complaints, Mr Monti established the group after the Dublin summit to look not just at tax competition, but also the gradual shift in the burden of taxation away from capital and on to labour – seen as damaging employment.

The Commission – which will reconvene the group in June to discuss the proposed code of conduct in more detail – said some of the examples collated by the member states did not represent a threat to the single market.

It has meanwhile prepared a package of taxation measures designed to strike a balance between the different interests of the single market.

'Grey power' begins to make presence felt in Poland

Christopher Bobinski on pension reform and the growing strength of the pensioners' party

The Polish government's plan to move towards a privately managed fund-based pension system has received welcome support from the fast growing pensioners' rights party. The latter's backing is also a sign that "grey power" could play an important role in this autumn's parliamentary election campaign.

The pension reform package has just been rushed through the cabinet and sent to parliament for approval as the government races to get it on to the statute book before the election campaign starts. The changes envisage the establishment of private pension funds, receiving one fifth of the compulsory pension contribution which employers now pay, to fund the eventual retirement of those now under 30 years of age.

However, the reforms retain a low basic pension for all and contain entitlements for pensioners as well as those over 30 who are now at work. The new system would come into force at the beginning of 1999.

Support from the pensioners' party, representing those whom the government feared would be most vociferous in opposing change, makes it far more likely the reforms will be approved. Had the pensioners opposed the plan, politicians from the rightwing Solidarity Electoral Action, an umbrella body organised by the trade unions, would have been tempted to use the issue to attack the government, a coalition led by former Communists.

"The reform is needed because in 15 years' time Poland won't be able to afford the present system," says Mr Witold Gadomski, the pensioners' party expert on the issue and himself recently retired. They would have to make sure the new system was adequately funded, however.

The party, which claims 27,000 members spread across most of Poland, has seen its support in public opinion polls grow to 7 per cent in just a few months. That level of support would be enough to get it into parliament. It is similar, for instance, to that commanded by the Polish Peasant party, junior member of the government coalition.

Moreover, the party has room for further growth as more than 30 per cent of the electorate are in the over-55 age group. It is also reaching out to others who feel they have been adversely affected by the free market reforms of the past seven years. Among these are small craftsmen and traders who are being squeezed by the arrival of foreign mass retailers.

"We are the party of pensioners and those receiving state benefits, the unemployed and single mothers bringing up children and the physically disabled," says Mr Stanislaw Trzaska, head of the Warsaw branch. "And the party of future pensioners as well." That should be enough to win it 10 per cent of the vote in the election.

The party's drive is fuelled by demands likely to strike a chord with the old, the lonely and the ailing. These include free travel on buses and trams for the over-70s, the establishment of summary courts to deal with mounting street crime, and cheap medicines for the elderly.

The party's political programme supports Polish membership of Nato and the European Union. It also argues that pensioners' problems can be resolved only by economic growth, which the government should boost with investment and export incentives.

The former Communists and the opposition Solidarity Electoral Action are each likely to win 20-25 per cent of the vote. To form a government both would need to strike deals with the smaller parties. The pensioners say they are keeping their options open. They deny being a front for the Communists or that they secretly plan to form a post-election coalition with them. "Once the election result is in, we shall see what we shall see," says Mr Trzaska.

NEWS: WORLD TRADE

Bell Labs to open facilities in China

By Alan Cane

Bell Labs, credited with inventing the transistor, the laser and the cellphone, said yesterday it was setting up laboratories in Beijing and Shanghai.

The multi-million dollar ventures will work closely with Chinese universities to develop telecoms products and systems tailored to the Chinese market while giving Bell Labs access to the brightest young Chinese technologists.

Dr Dan Stanzione, Bell Labs president, said the biggest problem the Labs faced worldwide was recruiting enough high-quality staff. Despite the Labs' reputation, there is stiff competition for the best technologists from the fast-growing computer and communications industries.

Some 20 researchers are being hired from local Chinese universities to staff the new facilities.

Dr Carl Hsu, head of advanced technologies for the Labs, said the new facilities would be an extension of the advanced technologies group in the US: "The new team will conduct research on areas of optical, wireless and multimedia communications, digital signal processing, network planning and design and software."

China, with about three telephones for every 100 people, represents a big opportunity for the world's telecoms manufacturers. The Chinese government is committed to raising the number of telephones per 100 citizens to 25 by 2000.

Bell Labs was part of AT&T, the largest US telecoms operator, until the group was split into three separately quoted companies. Today the Labs are the research and development arm of Lucent Technologies, formed last year from the manufacturing activities of AT&T. Lucent has six joint ventures with Chinese companies.

Jakarta plans new 'national' car

By Haig Simonian and Manuela Saragosa in Jakarta

Indonesia, defying an international outcry over its national car policy, plans to launch a second model enjoying the same tax and tariff breaks as its controversial first vehicle.

Mr Soemitro Soerachmad, chief executive of Timor Distributor Nasional, the distribution arm of Timor Putra Nasional – the national car maker, said the company had agreed with Kia Motors of South Korea to import the Sportage, a small sports utility vehicle, from early 1998.

The group's decision last year to start importing Kia's Sephia saloon, sold as the "Timor" in Indonesia, sparked a furious row with foreign car manufacturers. Timor's rivals claimed it had gained an unfair advantage because of its exemption from Indonesia's high tariffs and luxury sales tax on cars.

Last month, the Japanese government called on the World Trade Organisation to rule on whether the "national" car policy contravened Indonesia's free trade commitments. Accusations of advantageous treatment for the Timor could intensify following the government's recent decision to instruct 10 private and three state banks to extend Rp1,300bn ($535m) in loans to support the company's plans.

The move appears to contradict government policy to clamp down on credit growth. Although the central bank was known to have been under pressure to help the Timor project, bankers expressed surprise the lending consortium would be chaired by Mr Soedradjad Djiwandono, the central bank governor.

The Sportage, a lightweight sports utility vehicle, called the J520i in Indonesia, will enter the biggest segment of the Indonesian vehicle market and should significantly undercut the competition. The vehicle would qualify for the same tax and tariff breaks enjoyed by the Timor.

Mr Soemitro said the price for the J520i "would be competitive" with the Kijang, a van-based passenger vehicle which is the country's most popular car. Prices for the Kijang range from Rp30m to Rp50m ($12,300-$20,600).

However, Mr Soemitro indicated early batches of the new model might have to be imported from Korea in completely built-up form, pending completion of a new plant. Such a move threatens to fan the trade row in view of the outcry among Indonesia's trading partners at last year's decision to import 45,000 Timor vehicles from Korea. Production at the new plant, whose initial capacity will be 40,000 units a year, will not start until at least August 1998.

Fast track drifts into the slow lane

Guy de Jonquières examines President Clinton's difficulty in winning backing in Congress for his free trade ambitions

Ms Charlene Barshefsky, the US trade representative, has spent much time lately canvassing Congress for a mandate to push ahead with international trade liberalisation. But the responses hardly seem encouraging.

President Bill Clinton said last week he was surprised and concerned by signs of dwindling support for free trade in both major political parties. He expected tough opposition on Capitol Hill to renewing the "fast-track" authority he needs to negotiate trade deals.

Mr Clinton nonetheless claimed a majority of legislators favoured giving him that authority, which commits Congress to vote on trade agreements without amending them. But his comments have troubled US businesses and other free-trade enthusiasts, who increasingly fear trade policy is being allowed to drift.

Lack of fast-track has already delayed Chile's membership of the North American Free Trade Agreement (Nafta) and threatens to limit Mr Clinton's bargaining power in talks on a free trade area embracing all the Americas. US officials say trade partners will be reluctant to reach deals if Congress can unstitch them later.

Many observers think Mr Clinton's re-election victory and the benign state of the US economy mean he is unlikely to get a better opportunity to press for fast-track. Congressional elections almost certainly rule out action next year, after which the president risks becoming a "lame duck".

Although no comprehensive multilateral trade talks are planned before 1999, some fear a prolonged hiatus in Washington would risk fragmenting the US stance on trade. "There would be a piecemeal approach, without any long-term vision," says a European diplomat.

But Mr Clinton has still to indicate when he will propose legislation, or how broad a mandate he wants.

Few observers dispute that the appetite in Washington for trade liberalisation is not strong. The unpopularity of Nafta, suspicions of the World Trade Organisation and fiercer international competition have all created resistance among the electorate. The large turnover in membership of Congress at the past two elections also makes it hard to predict how the fast-track vote would go.


Clinton's poser: time is running out to clinch fast-track deal

However, critics accuse President Clinton of laying too much blame on Congress. They include Republican leaders in the House of Representatives, who claim they are ready to back fast-track and can count on solid support among their rank and file.

Others say more supporters of fast-track would come forward if Mr Clinton lobbied more actively for it, but that he has been distracted by sleaze allegations and wrangling over the budget.

In truth, Mr Clinton faces genuine dilemmas, partly of his own making. The toughest is how to ensure the Republican support needed to approve fast-track, without splitting the Democrats. The problem is crystallised in arguments over whether fast-track legislation should include provisions calling on other countries to respect labour and environmental standards.

Demands for such measures – which Mr Clinton attached to the Nafta deal – are being pressed by House Democrats, led by Mr Richard Gephardt, their leader, with strong labour union backing. His advisers claim as many as 150 fellow Democrats favour his stand. But Republicans say they would reject any fast-track bill which contained such provisions.

There are two reasons for Mr Clinton to shy away from confronting Mr Gephardt head-on. Doing so would risk alienating many Democrats in Congress, whose loyalty has already been strained by the budget negotiations. Secondly, Mr Gephardt is positioning himself to challenge Vice-President Al Gore for the Democratic presidential nomination. Any move which cemented Mr Gephardt's links with the unions could deprive Mr Gore of their support.

However, there is little sign so far of a fast-track compromise emerging which would be acceptable to both sides of the House – and time is running short.

White House officials say that, to be sure of Congressional approval, a fast-track bill should at least have passed the House by late this year. The House Republican leadership has told Mr Clinton that it needs to pass no later than the end of July.

If either timetable is to be met, the President will have to step up the pace of wheeling and dealing with Capitol Hill – and brace himself for some tough decisions on where his political allies lie.

WORLD TRADE NEWS DIGEST

Ukrainians divide spoils

Ukraine yesterday announced awards for aircraft and car contracts, dividing the spoils between competing US, European and Asian competitors. Boeing of the US and the European consortium Airbus Industrie both won a share of an aircraft supply contract. Air Ukraine will buy two Boeing 767-200ER aircraft for transatlantic routes and three Airbus A320-200s for medium-range flights.

Separately, Daewoo of South Korea was named as the lead partner in a joint venture with General Motors of the US to build vehicles in Ukraine. Mr Pavlo Lazarenko, the Ukrainian prime minister, who has been involved in negotiations with the rival carmakers, said GM and Daewoo had agreed terms on joint production at the AvtoZaz car plant that would raise annual output from 7,000 to 255,000 units at Ukraine's largest, financially troubled carmaker.

The prime minister indicated the government had favoured Daewoo's bid for AvtoZaz but also welcomed GB's participation. The proposed arrangement would have AvtoZaz produce 150,000 Daewoo models and 35,000 GM vehicles under its Opel marque, according to Mr Lazarenko. The venture would also make 70,000 Tavrias, the established AvtoZaz model. *Matthew Kaminski, Kiev*

Cuba awards airport contract

A British company has been awarded a contract to help Cuba improve service standards at its two biggest airports, which are being expanded and modernised to cope with increasing tourist traffic. Under the three-year contract, Leeds-based Airport Planning and Development will give advice and support to Cuba's state airports authority, Ecasa, to upgrade service operations at Havana and Varadero airports.

■ Cuba yesterday opened the first of four new free trade zones which are due to start up on the island this year. The Wajay Free Trade Zone, alongside Havana International Airport, is being created from an existing "in bond" warehouse complex already used by foreign groups doing business in Cuba. *Pascal Fletcher, Havana*

Investors wary of Africa

Africa continues to lag behind the rest of the world in attracting foreign investment despite more liberal foreign investment rules and stronger protection for investors, according to a report* by the UN Conference on Trade and Development. However, the report notes "new signs of vitality": foreign direct investment (FDI) is moving increasingly into service industries such as finance and insurance, rather than traditional commodities, while some African companies have themselves become important foreign investors in the region.

FDI flows to Africa totalled about $4.5bn last year, against an annual average of $3.8bn between 1991-95. This represents only 5 per cent of FDI flows to developing countries and just 2 per cent of world FDI flows. Moreover, half the African total goes to Nigeria and Egypt, followed by Morocco and Angola.

Western Europe, led by former colonial powers Britain and France, dominates African FDI but US investments are rising. *Frances Williams, Geneva*

■ *World Investment Directory: Vol V Africa (Sales No.E.97.II.A.1), available from UN Sales Section, Palais des Nations, CH-1211 Geneva 10, fax +41 22 917 0027, e-mail unpubli@unog.ch, $75.*

NEWS: INTERNATIONAL

Zaire's dictator to leave on 'three-day visit' to Gabon amid speculation he may never return

Mobutu plans flight as rebels close in

By Michela Wrong in Kinshasa and Barnaby Phillips in Luanda

Zaire's beleaguered President Mobutu Sese Seko is due to fly to neighbouring Gabon today amid widespread speculation that what is being officially portrayed as a three-day visit could end up as permanent exile from the nation he has ruled for 32 years.

Announcing the trip to Libreville, where the 66-year-old leader is scheduled to hold talks with the presidents of Gabon, Togo and Congo – some of his most loyal African allies – an aide insisted Mr Mobutu would be returning to Kinshasa afterwards.


Mobutu: Gabon visit may be one-way trip to exile

But with the rebel Alliance of Democratic Forces for the Liberation of Congo (AFDL) preparing a final assault on Kinshasa, analysts said it was possible this would end up as a one-way journey for the cancer-stricken leader.

News of the trip broke as western negotiators, trying to avert a battle for Zaire's riverside capital, stepped up diplomatic efforts to repair the damage done during a weekend summit between Mr Mobutu and rebel leader Mr Laurent Kabila which failed to produce a peace settlement.

Mr Bill Richardson, the US ambassador to the United Nations, met Ugandan leader Yoweri Museveni, Zimbabwe's President Robert Mugabe and Tanzanian leader Benjamin Mkapa in Botswana before heading to Cape Town for talks with Mr Thabo Mbeki, South Africa's deputy president.

Mr Mohamed Sahnoun, the UN envoy, simultaneously consulted President Jacques Chirac's office in Paris. France is the only former western ally still believed to enjoy some influence over Mr Mobutu, who has spent long periods recuperating at his villa on the Riviera.

The AFDL claimed yesterday to be within 65km of Kinshasa, heading for the capital's international airport. It said it had set up centres to receive government troops who wanted to surrender and would not harm anyone who turned himself in.

But diplomats said the rebels were almost certainly exaggerating their military progress as part of a psychological campaign to put pressure on Mr Mobutu.

Most of the AFDL troops still appeared to be massing at the town of Kenge, 200km east of Kinshasa, they said.

Doubts were also cast on rebel claims to have captured Kikwit. An army spokesman yesterday told a press conference in Kinshasa that 500 rebels had been killed in a successful defence of the city.

He also denied reports that Mr Mobutu's home town of Ghbadolite had fallen.

Meanwhile, officials in Luanda confirmed an Angolan military build-up in areas close to the Zairean border. In particular, they reported a concentration of forces in the northern enclave of Cabinda, close to Zaire's narrow outlet to the Atlantic ocean.

However, expatriates in the oil industry said there was no truth in Zairean accusations that more than 1,000 Angolan troops had crossed into Zaire 10 days ago.

"There's a build-up in Cabinda, but at the moment it looks more designed to intimidate," said one diplomat.

He argued that Angola could take advantage of the situation in Zaire to launch an all out offensive against Cabindan separatist guerrillas who have bases in Zairean territory. "We may see some hot-pursuit into Zaire," he said.

Mining officials in the north-eastern Angolan province of Lunda Norte also reported a concentration of troops.

Mr Richardson, the US envoy, who was in Luanda last week, voiced concern about Angolan involvement in the Zairean crisis when he met President Eduardo dos Santos.

Although the Angolan government publicly denies any role in the conflict, in private ministers welcome Mr Mobutu's imminent demise, as he has been a close ally of Angola's former rebel Unita movement for many years, allowing them to use his country to smuggle diamonds out and weapons and fuel back into Unita-controlled areas.

Tense Kinshasa awaits the final act

The city's 5m people are obsessed by one question: once 'The Guide' is gone, will Zaire's elite troops stand and fight?

The central market, where you can buy a live crocodile, prints from Belgium or a western-style wig, is as vibrant as ever. The overloaded taxis still ply the Boulevard 30 Juin, limbs protruding from every aperture. The smugglers' canoes continue wending their languid way across the river to Brazzaville.

Despite such signs of normality, Zaire's capital is a town under siege. And with the rebels claiming to have started their advance on the international airport, the tension is beginning to tell. "I can't stand much more of this," moans a shop owner. "The stress is giving me an ulcer. I can't sleep, I can't eat. Whatever happens, I wish it would happen quickly."

Since the failure of Sunday's summit between President Mobutu Sese Seko and the rebel leader, Mr Laurent Kabila, all eyes are on the Division Spéciale Presidentielle (DSP) and the Garde Civile, recruited almost exclusively from Mr Mobutu's equatorial Ngbandi tribe.

With Mr Mobutu due to fly to Gabon – a trip from which many hope he will never return – Kinshasa's 5m residents are obsessed by one question: once "The Guide" is gone, will Zaire's elite troops stand and fight? Or will they do what Zairean soldiers have done throughout this conflict: flee to neighbouring Congo, remove their uniforms to re-emerge as civilians, or simply join the rebel cause – the "soft landing" prayed for by Washington?

"There will be no battle for Kinshasa," predicts one diplomat. "If they have any sense, once Mobutu is out of the picture the head of the army and the premier will strike a deal with the rebels, appeal to their troops for restraint and Kinshasa will be spared."

Others, perhaps blinded by months of official blustering, paint a more apocalyptic vision. "The army chiefs are nationalists and they are not going to let a bunch of Tutsis take the city. They will fight," says a businessman. "In any case, what other option is there for the 40 generals who, unlike Mobutu's clique, don't have villas on the French Riviera to run to?"

The nervousness of the security forces attests to the growing awareness that the time to decide which way to jump has nearly arrived.

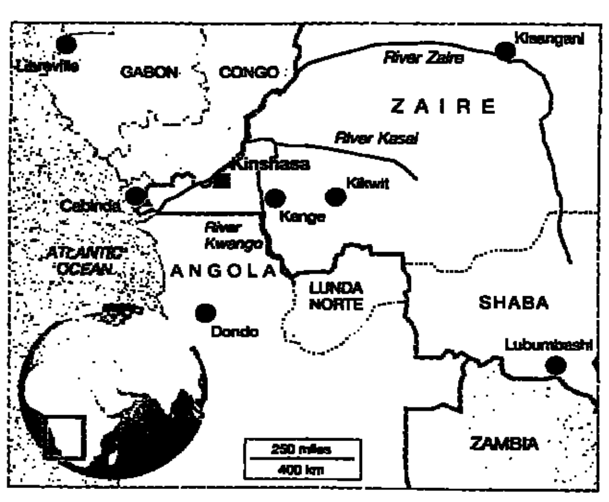
In the city leaflets freely circulate asking the inhabitants to signal their support for the rebels by tying white bandanas round their heads and "neutralising" elements in the Zairean army.

The general expectation is that the rebels will attack from several directions, finally activating their long-promised western front by ordering in hundreds of Katangese fighters who are waiting across the Angolan border.

The army has stationed rocket-launchers on the airport road and has sent DSP forces east to the Kwango River to block access from the rebel-held town of Kikwit.

But attempts to mount a more serious defence are undermined by the administration's worsening cash crisis. Since the rebels seized Zaire's diamond and copper-producing regions and Kinshasa's local industry was severed from suppliers and markets in the interior, the oil industry is virtually the government's only source of tax.

But revenue on the paltry 27,000 barrels a day produced offshore by Zaire-Gulf, the Chevron subsidiary, is not enough to keep an army paid and loyal.



Over the last fortnight, businessmen say, General Likulia Bolongo, the military prime minister, has gone cap in hand to leading companies demanding contributions. At the central bank, the presses keep printing money, but with the highest denomination worth just 28 cents, the procedure produces little in terms of money supply.

Probably the most telling sign of official desperation came when the authorities tried to launch a military recruitment drive at the university. Traditionally, the student population supports the radical opposition. "Joining the losing side at this late stage did not seem a good idea," remarked one student.

Michela Wrong

INTERNATIONAL NEWS DIGEST

Israel-Jordan talks scrapped

A meeting between Israel's Prime Minister Benjamin Netanyahu and Crown Prince Hassan of Jordan was cancelled yesterday in a dispute over water. Mr Netanyahu called the cancellation a "small breakdown" in relations with Jordan but said he was confident a solution to the disagreement would be found.

Israel is committed to supplying Jordan with water as part of their 1994 peace agreement but there have been differences over interpretation of the accord. A senior Israeli official said Jordan had cancelled the meeting after talks on water allocation broke down.

The official suggested that, with the Mideast peace process in crisis, Jordan did not want to risk isolating itself in the Arab world by holding a high-profile meeting with Israel without some justification – such as a favourable water deal. *AP, Jerusalem*

Ivory Coast signs debt deal

Ivory Coast formally signed its debt reduction accord with the London Club of commercial creditors yesterday and said it expected final approval of a new International Monetary Fund loan facility and World Bank and Paris Club debt service reduction by July.

The accord reduces the Ivory Coast's outstanding interest on commercial debt to $950m from $4.4bn. In addition, 30 per cent of the $2.4bn in principal will be bought back at 24 cents on the dollar, with most of the remaining debt to be paid back via 20-year front-loaded interest reduction bonds. *AP-DJ, Paris*

Weapons agency starts work

Mr Kofi Annan, United Nations secretary-general, opened the inaugural conference yesterday of a new agency charged with enforcing a global ban on chemical weapons. Attended by 160 countries, the conference is being held one week after the treaty banning the development, production, stockpiling and use of chemical weapons came into force.

The US secured the right to vote at the first conference of the new Organisation for the Prohibition of Chemical Weapons (OPCW) when the Senate ratified the treaty days before it came into force on April 29. Eighty-eight countries have now ratified the treaty and will be able to vote on matters such as a budget and a director general to run the OPCW from its offices in The Hague. The three-week conference will also elect a 41-member executive council. *Reuter, The Hague*

Yemen ruling party in control

Yemen's ruling General People's Congress won 187 seats in the 301-member parliament, according to the latest results of the first general elections since the country's 1994 civil war. Yemen's Supreme Elections Committee said that the Islah party, the Islamist junior coalition partner in the outgoing parliament, won 53 seats. Independents won 54 seats and two opposition parties took a total of five seats.

The committee said the results of two constituencies had yet to be announced but described the latest figures as final results of the polls on April 27. The main opposition Yemen Socialist party, some of whose leaders launched a secessionist bid that triggered the civil war, and three other parties boycotted the elections to protest against alleged irregularities. *Reuter, Sanaa*

NEWS: ASIA-PACIFIC

China-Japan islands dispute flares

By William Dawkins in Tokyo

A dormant territorial dispute between China and Japan revived yesterday when a Japanese opposition politician led a small protest on an uninhabited island claimed by both countries.

Tokyo and Beijing reacted with irritation to the landing by Mr Shingo Nishimura, an obscure rightwing member of the New Frontier party, Japan's largest opposition party, and three others. The Japanese government distanced itself from Mr Nishimura, while his own party said nothing.

Mr Nishimura's protest is an unexpected hitch in Tokyo's attempts to improve its poor relations with China. In March Japan ended a two-year ban on official grant aid to its neighbour.

Yesterday's incident is the latest instance of a minor resurgence of rightwing fervour in Japan. It is the second landing on the disputed East China Sea island this year; last month a group of local assembly members from Okinawa, which administers the island group, paid a visit.

Mr Nishimura conducted a religious ceremony on the island, part of a chain known as Senkaku in Japanese or Diaoyu in Chinese, 1,600km south-west of Tokyo. He declared that the landing was a "starting point for an awakening of national consciousness and the rebirth of a Japan with pride".

The landing was "extremely regrettable", said Mr Seiroku Kajiyama, chief cabinet secretary. But official Japanese condemnation was not enough to appease Beijing. Mr Shen Guofang, China's foreign ministry spokesman, said: "Much to our regret is that the Japanese side has not taken any effective measures to prevent these incidents from influencing Sino-Japanese relations."

This fresh row comes nearly a year after a group of Japanese rightwing extremists built a lighthouse on Senkaku. Beijing reacted coolly, but later condemned Japan after Chinese communities in Hong Kong and Taiwan staged strong protests against the landing.

Japan has occupied the islands since 1972, when they were handed to Tokyo, along with Okinawa, by the former administrators, the US government. The islands have been claimed by China for centuries. The islands, also claimed by Taiwan, are situated in rich fishing grounds.

Debt surge raises fears over Korea

A sharp rise in South Korea's foreign debt and other economic problems are causing some analysts and foreign bankers to make comparisons with Mexico before its financial crisis in 1994.

What has set off alarm bells is a rapid surge in South Korea's external debt, which grew by 33 per cent to $104.5bn in 1996 and could reach $144bn this year, according to government estimates.

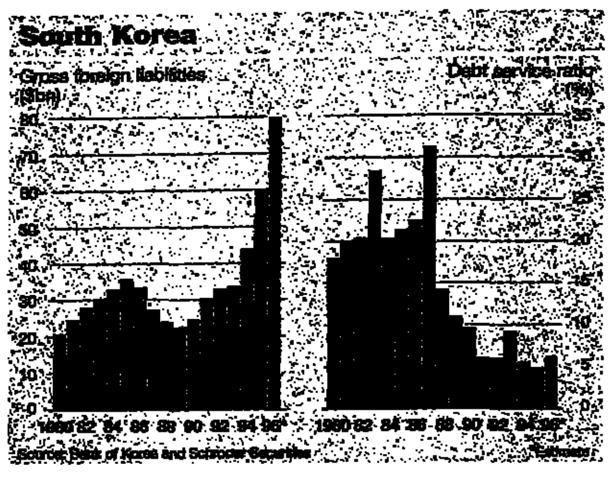
South Korean banks and conglomerates have been borrowing heavily abroad to finance a rapid industrial expansion that was encouraged by the government to get the country out of an economic slump several years ago.

There are several disturbing parallels between South Korea and Mexico on the eve of the Latin American country's peso crisis three years ago, including a sharp economic slowdown, a rapid rise in the current account deficit, high interest rates and a shortage of capital.

South Korea confronted a similar debt crisis in the early 1980s. Japanese and US banks then intervened with emergency loans in return for prising open Korea's financial services market.

For the moment South Korea's foreign debt position remains sound. Its foreign debt/gross national product ratio, a key measure of a nation's debt structure, is 24 per cent, which is below the International Monetary Fund's warning indicator of 30 per cent.

But some believe South Korea is vulnerable to a sudden credit crunch. Its foreign reserves are dwindling to cover less than three months' imports, which is considered barely adequate. Its current account deficit, which reached a record $23.7bn in 1996, stays stubbornly large at 4.7 per cent of gross domestic product.



A recent report by Schroder Securities revealed how Korea's debt position could quickly unravel. One worry is that nearly 60 per cent of its foreign debt is short-term – one year or less.

A large proportion of debt was borrowed on floating global rates, which appear to be on the rise. South Korea is heavily dependent on Japanese capital markets, whose troubles could lead to a sudden cut-off of funds.

The Schroder economists warned that a sharp depreciation of the Korean currency, the won, which has already fallen 13 per cent against the US dollar in the past year to its lowest point in a decade, could trigger a debt crisis.

The fall in the won would not only increase South Korea's debt burden, but also reduce capital inflows due to the currency risk borne by foreign investors. Korea's credit rating would probably be downgraded, which would exacerbate the liquidity shortage and cause bankruptcies among the country's highly leveraged industrial groups, which on average have debts three times the size of their equity. Several have already collapsed this year because of funding shortages.

Some economists, however, dismiss as exaggerated suggestions that Korea is heading the way of Mexico.

"There is no basis to draw comparisons between Mexico and Korea because a number of fundamentals are completely different," said Mr Vishvanath Desai, chief economist for the Asian Development Bank. "The Korean economy is stronger and sounder, its exchange rate management is effective and its foreign debt against GNP is small."

Korea enjoys other advantages over Mexico. It has a high savings rate, a sound fiscal budget, and there is little dependence on the speculative short-term foreign investment that was the Achilles' heel of the Mexican economy in 1994.

"Mexico was dependent on portfolio investments, rather than foreign direct investment like Korea," said Mr Han Seung-soo, a former Korean finance minister. "The peso was also overvalued, while the won has been allowed to fall."

Although Korea has one of the largest foreign debt burdens in emerging markets, its debt-service ratio is among the lowest. The debt-service ratio represents interest and principal payments as a share of exports of goods and services.

Moreover, there are signs that South Korea's economy is slowly recovering. The trade gap has begun narrowing in the first four months of this year. A reduced current account deficit will ease the need for foreign borrowing. Mr Han believes it will be smaller than last year at $18bn-$19bn.

The won has recently stabilised at a range of 890-900 to the dollar, with some economists saying it is still overvalued by 5 per cent.

South Korea also intends to bring forward by a year the further opening of its stock and bond markets to encourage an inflow of foreign capital and finance the current account deficit.

"This is a great time to proceed with financial liberalisation because there will not be a huge rush of foreign capital into Korea," said Mr Eugene Yun, managing director of Deutsche Morgan Grenfell in Seoul. "Investors are cautious about a drop in the won and potential foreign exchange losses. This will give the market time to adjust once it is opened further."

Officials believe there is little chance of Korea's credit rating being downgraded. Standard & Poor's recently affirmed the country's credit rating of AA- in spite of the economic slowdown and the current account deficit.

Nonetheless, some foreign bankers are worried that Korea will use its favourable sovereign credit rating to increase foreign borrowings by state banks if commercial banks find it difficult to secure loans abroad.

"We have already seen an increase in borrowing by state institutions. The government is betting that the economy will improve soon due to cyclical factors. But what happens if the economy remains sluggish due to structural problems? Then Korea will find itself in a deeper debt trap like the Mexicans," said one European banker.

John Burton and Peter Montagnon

Telecoms stake for foreigners

By John Burton in Seoul

Foreign investors will be allowed to acquire 20 per cent of Korea Telecom, the state telecommunications agency, once it is privatised next year, with the foreign shareholding increasing to 33 per cent by 2001. Each foreign investor will be limited to a 3 per cent stake.

The finance ministry said it would also privatise three other state companies, including Korea Tobacco and Ginseng, Korea Heavy Industries and Construction, and Korea Gas, although the minority foreign shareholdings in these groups are yet to be determined.

Domestic investors will be limited to an individual shareholding of 10 per cent in these companies to prevent the country's main industrial groups from gaining control of them.

The privatisation programme is expected to last for several years through share issues. Management of state companies is to be improved through appointment of professional executives rather than retired government officials or politicians.

The government had originally scheduled the privatisation programme to be completed by 1998, but it has been delayed by the poor recent condition of the Seoul stock market. The privatisation plans will be submitted to the National Assembly in June.

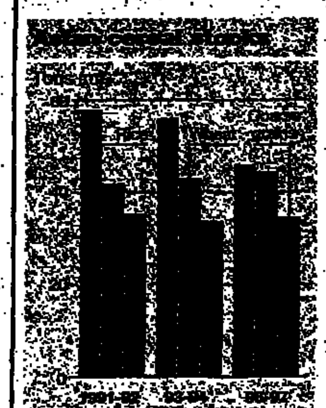
ASIA-PACIFIC NEWS DIGEST

Rao charges drawn up

An Indian court yesterday set out formal charges against Mr P.V. Narasimha Rao, former Indian prime minister, and 19 other politicians in a vote-buying scandal, court officials said yesterday. Mr Rao quit last year as Congress party leader. The judge, presiding over a special court inquiry, rejected a request that Mr Rao's successor as leader of the Congress party, Mr Sitaram Kesri, be summoned in the same scandal. The court charged Mr Rao, several senior members of his Congress party including four cabinet colleagues, four deputies from a tribal party, and six opposition members in the 1993 vote-buying scandal.

The inquiry judge ruled there was sufficient evidence to try Mr Rao for criminal conspiracy and abetment to bribery, said the counsel for the former prime minister, Mr R.K. Anand. The charges carry a maximum sentence of five years. Mr Rao is the first Indian prime minister or former prime minister ever to face criminal charges. He has been named in two other criminal cases relating to forgery and cheating a businessman. *Agencies, New Delhi*

Food outlook improves



Food security in the Asia-Pacific region has improved significantly since the troubled mid-1990s and the number of malnourished people in the region will continue to fall over the next several years, the UN's Food and Agriculture Organisation said in a report released yesterday. Increased cereal production coupled with good harvests and higher imports boosted depleted cereal reserves while consumption remained stable, the FAO said. It forecast aggregate cereals output in the region for 1996-97 at 769.3m tons, an all-time high, up 8.8 per cent from a three-year low in 1994-95 of 706.7m tons.

Indonesia and Vietnam were the best performers, becoming leading rice exporters. China, India, Burma and the Philippines all introduced market reforms that helped spur production. Rising labour mobility also helped keep cereals production high in countries such as Thailand and Malaysia where there is a shortage of agricultural workers. *Ted Bardacke, Bangkok*

Philippine exports up 19%

Philippine exports in March rose 19 per cent year-on-year to $1.99bn, lifted by a strong performance from the electronics industry, the national statistics office said yesterday. This brings the figure for the first quarter to $5.5bn, up 17 per cent from $4.69bn. Electronics rose 31 per cent to $861m, representing 43 per cent of overseas sales. Garments, traditionally the second largest earner but suffering from increased labour costs and global competition, slipped 1.4 per cent to $193m, or 9.7 per cent of exports. The US and Japan remained the two top Philippine markets, representing 34 and 17 per cent of total export receipts respectively. *Justin Marozzi, Manila*

NEWS: THE AMERICAS

Visiting US president tries to calm Mexican fears over drugs and deportations

Clinton to review certification process

By Leslie Crawford in Mexico City

President Bill Clinton promised to review the controversial process of "certifying" the drug-interdiction efforts of foreign governments as he began his first state visit to Mexico, the US's third biggest trading partner and its main source of illegal drugs and immigrants.

Mr Clinton has been careful not to tread on local sensitivities, which have been ruffled in recent months by the harsh spotlight on Mexican drug corruption in the US Congress, and by tougher immigration laws, which Mexicans fear may lead to mass deportations.

"On the drug issue, a lot of people maybe feel that we are sometimes making comments that impinge on sovereignty," Mr Clinton said on Mexican television. "All I can say is that the US has a big drug problem. We expect to take responsibility. Every country that has been infiltrated significantly by drugs soon pays an enormous price for it. So I see this as a joint struggle between Mexico and the US."

Mr Clinton defended his government's "open" immigration policy, which last year took in 900,000 foreigners, including 160,000 Mexicans. However, he admitted the new immigration law, which came into effect on April 1, had some "unintended harsh consequences", and said he would work with Congress to amend the law.

Mexican officials view Mr Clinton's visit, the first by a US president since Mr George Bush made a border trip in 1990, as an opportunity to press their views on the thorny issues of drugs and migration.

Mr Angel Gurría, Mexico's foreign minister, told the visiting US delegation that only drug traffickers would benefit if the two nations squabbled "in a sterile and irritating exercise of allocating blame".

President Ernesto Zedillo, meanwhile, asked the US Congress, in an interview on US television, to reconsider the certification process.

A few anti-US protests greeted Mr Clinton on arrival in Mexico City on Monday, even though the government had studiously avoided lining the visiting president's route with stars and stripes. Leftwing protesters, Cuba sympathisers and debtors groups burned the US flag in front of the US embassy, but there were no reports of serious clashes.

Mr Clinton was yesterday due to hold the first ever meeting between a US president and Mexican opposition leaders. This follows criticism, in Mexico and the US, of his administration's unswerving support for the Institutional Revolutionary party (PRI), the monolith which has ruled Mexico for six decades.

"Every US administration has given its unequivocal backing to the PRI," says Mr Agustin Navarro, international relations officer at the National Action party (PAN). "We want President Clinton to realise that the opposition has made huge electoral strides in Mexico, and that it is a credible option for stable political change in this country."

Mr Felipe Calderón, the PAN leader, and Mr Andrés Manuel Lopez Obrador, of the leftwing Revolutionary Democratic party, will each be granted a 15-minute audience with Mr Clinton, in which they will seek to convey their concerns over the shortcomings of President Zedillo's political reforms and the harshness of US anti-immigration policies.

More than 1.5m illegal Mexican immigrants are estimated to be working in the US. The steady march of migrants heading north, estimated at 3,000 illegal crossings a day, has led to the growth of Mexican gangs which specialise in the traffic in human beings. Undocumented Mexicans form the backbone of the agricultural labour force in California, where unscrupulous employers exploit their illegal status by paying them below the minimum wage.

"The cost of illegal migration is well documented in the US," Mr Gurría says. "But nobody calculates the economic contribution of these undocumented workers because the sanctions against hiring them has kept US employers in the closet."

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Jury's new smoke signals

Richard Tomkins on a setback for anti-tobacco campaigners

Jean Connor, a twice-divorced mother of three, started smoking at the age of 15; she smoked up to three packs a day for more than 30 years; and by 49 she was dead from lung cancer. Some might say she was killed by the cigarette industry.

But in a severe setback for anti-tobacco lawyers, a Florida jury this week cleared R.J. Reynolds Tobacco, the second biggest US tobacco company, of all blame for Jean Connor's death, concluding that she chose to smoke in spite of the well-known risks.

Tobacco stocks soared on the news because the tobacco industry has recently suffered a string of defeats at the hands of the anti-tobacco lobby, and investors had feared that the litigation atmosphere had turned decisively against cigarette makers.

Mr Daniel Donahu, senior vice-president and deputy general counsel for litigation at RJR Nabisco, US parent of R.J. Reynolds Tobacco, said: "The external pressures under which this case was tried provided one of the most advantageous backdrops to date for the plaintiff's lawyers. Throughout the trial, plaintiff's counsel attempted to capitalise on that atmosphere."

The tide first appeared to be turning against the industry last August, when Mr Norwood "Woody" Wilner, the Florida lawyer who took up the Jean Connor case, won a jury award of $750,000 in damages for Mr Grady Carter, a smoker who survived lung cancer.

That award followed the disclosure of internal tobacco industry documents suggesting that, in the years before health warnings began to appear on cigarette packs, cigarette makers knew more about the health risks of smoking than they had disclosed to the public.

The Carter case was only the second in which a jury had awarded damages, and the first was thrown out on appeal. A triumphant Mr Wilner said he had 200 more cases ready to bring to court.

Since then, the tobacco industry has suffered several other setbacks. More than 20 states across the US have filed lawsuits against the industry claiming compensation for the cost of treating sick smokers; Liggett, the smallest cigarette maker, has started handing over more internal documents as part of a deal with anti-tobacco lawyers; and last month a court ruled that the Food and Drug Administration could start regulating cigarettes because the nicotine they contained was an addictive drug.

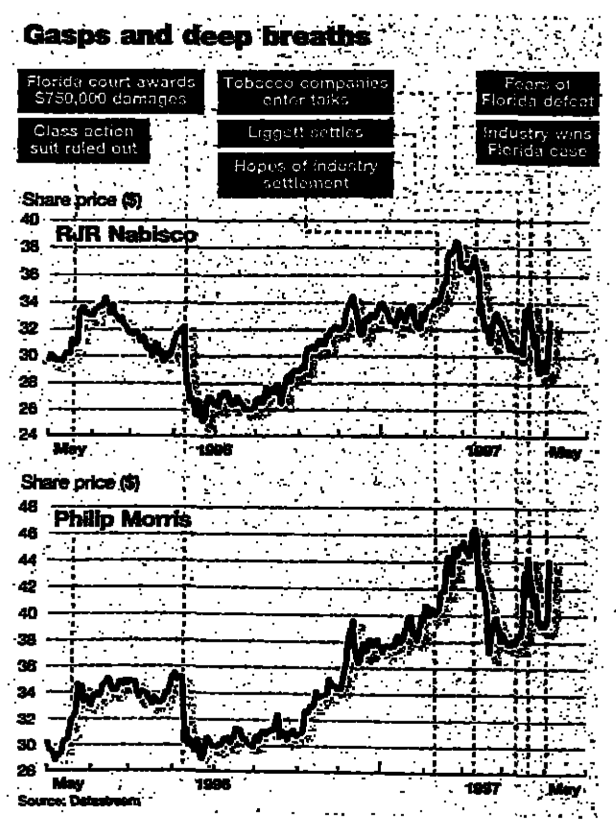
A few weeks ago, the litigation environment looked so bad that the tobacco industry started peace talks with anti-tobacco lawyers about a deal under which cigarette makers would pay out up to $300bn over the next 25 years in return for immunity from personal injury claims.

But the outcome of the Connor case has altered the stakes by indicating that, even after all the negative publicity about the tobacco industry, juries still think smokers are well aware of the risks of smoking and have only themselves to blame if the habit damages their health.

"This decision gives credence to the industry view that Wilner's victory in the Carter case was an aberration, not the start of a long-term trend," said Mr Martin Feldman, an analyst at stockbrokers Smith Barney.

Anti-tobacco lawyers have often argued that smokers do not exercise free choice because many started smoking before the health warnings started appearing on cigarette packs, or before they were old enough to know better, then became addicted to nicotine.

But the Connor case illustrates the difficulty plaintiffs' lawyers may face in finding suitable candidates for trial. Though Jean Connor was only 15 when she started smoking, and health warnings did not then appear on cigarette packs, her grandfather, also a smoker, died of lung cancer that year. And she quit at the first attempt in 1993, not because she had lung cancer, but because a surgeon asked her to do so to prepare for cosmetic surgery.



The jury's decision in the Connor case does not mean the tobacco industry's litigation problems are over. Duff & Phelps, the US credit rating agency, yesterday described the verdict as a positive development "but not enough, by itself, to warrant optimism at this time". Substantial legal challenges lay ahead, it warned. But the ruling could raise the likelihood of a successful outcome to the peace talks if it demonstrates that both sides have more to gain by reaching agreement than by fighting each other in the courts.

AMERICAN NEWS DIGEST

Fall in US factory orders

US factory orders dropped sharply in March following a surge in the first two months of the year, the Commerce Department reported yesterday.

Orders received by factories declined by 1.6 per cent in March, the largest fall since last summer. For the first quarter as a whole, however, orders remained on a robust growth path, rising at an annual rate of 5.7 per cent.

The figures provided further comfort for financial markets, as they came on top of a number of reports that appear to suggest the rapid pace of overall economic expansion which was recorded at the start of the year is moderating.

In the first three months of 1997, the economy grew at an annual rate of 5.6 per cent, the fastest for nearly a decade, but the pace was considered much too fast to be sustained without a significant upturn in inflation. *Gerard Baker, Washington*

American pilots in work deal

American Airlines pilots have ratified a new labour agreement, the carrier said yesterday, allowing it to go ahead with a deal which could see it buy more than 600 Boeing aircraft.

The airline last year said it was appointing Boeing its sole aircraft supplier until 2008, but made the deal conditional on reaching a new labour agreement.

The agreement announced yesterday, which won the votes of 69.3 per cent of American's pilots, provides for a total pay increase of 9 per cent over five years. It also gives the pilots options to buy 5.75m shares in AMR, American's parent company, at $10 below market price. *Michael Skapinker, Aerospace Correspondent*

Affirmative action move

The US government intends to change the way it awards contracts, in an attempt to ensure that affirmative action is used only where warranted. The proposed regulations, which would curb race-based preferences for some minority businesses, would change the way $200bn in annual federal contracts are awarded.

Officials from the Justice Department, which is co-ordinating the effort, said the proposals attempt to keep certain race-based preferences intact while complying with rigid standards set by a 1995 Supreme Court ruling which limited the ability of federal programmes to award benefits on the basis of race or sex.

The new rules will rely on an industry-by-industry review aimed at determining where minority groups are experiencing discrimination in the awarding of government contracts. *AP, Washington*

Venezuela plans reforms

Venezuela's government is to focus on privatisation, as well as reforms of the social security, judicial and educational system, as part of the 18-month extension of the stand-by agreement it is seeking with the International Monetary Fund.

Mr Luis Raul Matos Azocar, finance minister, said yesterday the IMF and other multilateral lending institutions were disposed to back the government's reform efforts.

He said the World Bank and the Inter-American Development Bank were considering a $100m loan each to help recapitalise Venezuela's cash-strapped public pension fund. *Raymond Colitt, Caracas*

Chancellor of the exchequer says shake-up will bring about greater openness in decision-making

Biggest upheaval in Bank's 300-year history

By Robert Chote, Economics Editor

Mr Gordon Brown, the chancellor of the exchequer, yesterday hailed his shake-up of the UK's monetary policy arrangements as the most radical reform of the Bank of England, the central bank, since it was established in 1694. It is likely to herald a revolution in attitude and image, as well as in organisation.

Public attention will focus on the nine-member monetary policy committee at the Bank, which will be responsible for the month-to-month setting of interest rates. As with the members of the US Federal Open Markets Committee and the Bundesbank Council, their every public utterance will be scrutinised for clues to future policy changes and shifts in the balance of power on the committee.

Its members will include the Bank's present governor and deputy governor, plus one new deputy governor to be appointed once legislation to amend the Bank of England Act 1946 has come into force. When the second deputy is in place, one will work on monetary policy and the other on financial sector stability.

Of the remaining six members, one will have management responsibility for monetary policy and one for market operations. The other four will be "recognised experts" appointed from outside the Bank. They will be allowed to undertake other activities only if those do not present a conflict of interest.

Eventually, these six committee members will be appointed on a rolling basis – two per year – serving renewable three-year terms. The monetary policy committee will meet monthly. Its deliberations and any votes will be minuted, with minutes released no later than six weeks after the meeting. Mr Brown said these arrangements would ensure the openness of decision-making, although it remains to be seen if the public regard it as sufficiently democratically accountable.

Revolution at the Bank of England

- Bank of England will have operational responsibility for setting interest rates and will remain in public ownership
- Monetary policy objective of the Bank will be to deliver price stability as defined by government's target
- If, in extreme economic circumstances, the national interest demands, the government will have power to give instructions to the Bank on interest rates for a limited period
- The Bank will have its own separate pool of foreign exchange reserves which it may use at its discretion to intervene in support of its monetary policy objective
- Decisions on interest rate policy will be made by a new monetary policy committee
- Bank's role as government's agent for debt management, sale of gilts (government bonds), oversight of its market and cash management will be transferred to the Treasury

Accountability will be exercised through two principal channels. First, there will be enhanced requirements for the Bank to report to the Treasury committee of the House of Commons. Second, the monetary policy committee's performance will be monitored by a by a reformed Court, the Bank's governing body.

Mr Brown proposes that the Court be reconstituted to comprise no more than 19 members – the governor, the two deputy governors and 16 non-executives.

"The Court will be representative of the whole of the United Kingdom," Mr Brown said in a letter to Mr Eddie George, the Bank governor. "The non-executive members will be appointed for their expertise and will be drawn widely from industry, commerce and finance."

Mr Brown intends to appoint four new non-executive members to the Court as soon as legislation comes into force. The Bank's senior executive directors will no longer serve on the Court.

"The non-executive members will review the performance of the Bank as a whole, including the monetary policy committee," Mr Brown's letter said. "They will have particular regard to whether the Bank is collecting proper regional and sectoral information for the purposes of monetary policy formation.

In addition they will be responsible for ensuring that the internal financial affairs of the Bank are properly conducted."

The Court has enjoyed little public profile, offering an agreeable part-time job to members of the "great and good". Now a much brighter spotlight will be shone on its role.

The chancellor's abdication of responsibility for interest rates – but not the setting of the inflation target – will be only one of several changes in the relationship between the Bank and the Treasury.

The Treasury will take over the Bank's role as agent for management of the government's debt and its responsibility for gilt (government bond) sales, oversight of the gilts market and cash management.

In line with practice in the US, the Treasury will in turn give the Bank a pool of foreign exchange reserves with which to intervene in support of the inflation target it has been assigned. But the Treasury can also instruct the Bank to intervene on its behalf, casting doubt on where day-to-day responsibility for exchange rate management lies.

Bonds leap as change is welcomed

By Richard Lapper and Simon Kuper

UK government bond prices yesterday made their biggest one day gains for more than five years, with investors welcoming moves by the government to give operational independence to the Bank of England.

Expectations that the change will reduce long-term inflationary pressure in the economy spurred heavy buying of gilts (government bonds) and sterling by domestic and international investors. They also lent support to the equity market.

The pound closed in London 1.6 cents higher against the dollar at $1.637 and 1.3 pfennigs up against the D-Mark at DM2.820. The FTSE 100 index gained 63.7 to close at 4519.3.

"It is unbelievable to gain so much financial market credibility with such a simple move," said Mr Andrew Roberts, bond analyst at UBS, the Swiss bank. "Financial markets love it."

"The government's credibility has been vastly improved by this bold step," said Mr John Shepperd, chief economist at Yamaichi International (Europe), the Japanese securities house.

Benchmark 10-year gilts rose by more than two points on news of the reforms, to close at 101.188, while yields fell from 7.37 per cent to 7.09 per cent. The 10-year yield spread over Germany – the yardstick used by investors to measure the risk of holding UK government assets – fell by a quarter of a percentage point to 1.46 per cent.

The market's enthusiasm for longer-dated bonds was even greater with the price of a 25-year benchmark gilt rising by more than four and half points to 109%. Since trading closed on Friday, yields on the bond have dropped by nearly two-fifths of a percentage point to 7.14 per cent.

Mr Mark Capleton, international bond strategist at BZW, the investment banking arm of Barclays Bank, reported especially strong interest from investors in mainland Europe and the United States, which he attributed to perception of "greater monetary stability and the removal of political interference from the interest rate setting process".

Business yesterday gave a resounding welcome to the changes at the Bank of England. Business leaders said it would help the UK meet the criteria set by the Maastricht treaty for entry into European monetary union – whether or not Britain joins.

"We very much welcome this move. We would like to see macro-economic policy become independent of politics and we see this as a step in the right direction," said Mr Adair Turner, director general of the Confederation of British Industry.

● Sir David Simon, chairman of British Petroleum, will today be appointed to a new ministerial job floating between the Treasury and the Department of Trade and Industry, with a particular focus on trade promotion, Robert Peston writes.

In a move regarded by Mr Tony Blair, the prime minister, as one of the biggest coups for his new administration, Sir David is expected to have a full-time role. Credited with having revived BP's fortunes over the past few years, Sir David's move into government will come as a blow to the company's shareholders.

Status of supervision will be enhanced

By George Graham, Banking Correspondent

Increased independence for the Bank of England in setting monetary policy could have far-reaching consequences for other aspects of its activities.

Mr Gordon Brown's proposals include the appointment of a second deputy governor with responsibility for financial stability, a move which is expected to increase the weight given internally to banking supervision. This has tended to be overshadowed by the Bank's higher profile role in monetary policy.

Mr Michael Taylor, author of the proposal for overhauling financial supervision, said the proposal "suggests a desire to give banking supervision a higher profile within the Bank of England than it has so far enjoyed".

But the Treasury also intends to review the Bank's financial arrangements "to ensure that they are in line with the Bank's new responsibilities". That could herald a close inspection of the Bank's hidden assets.

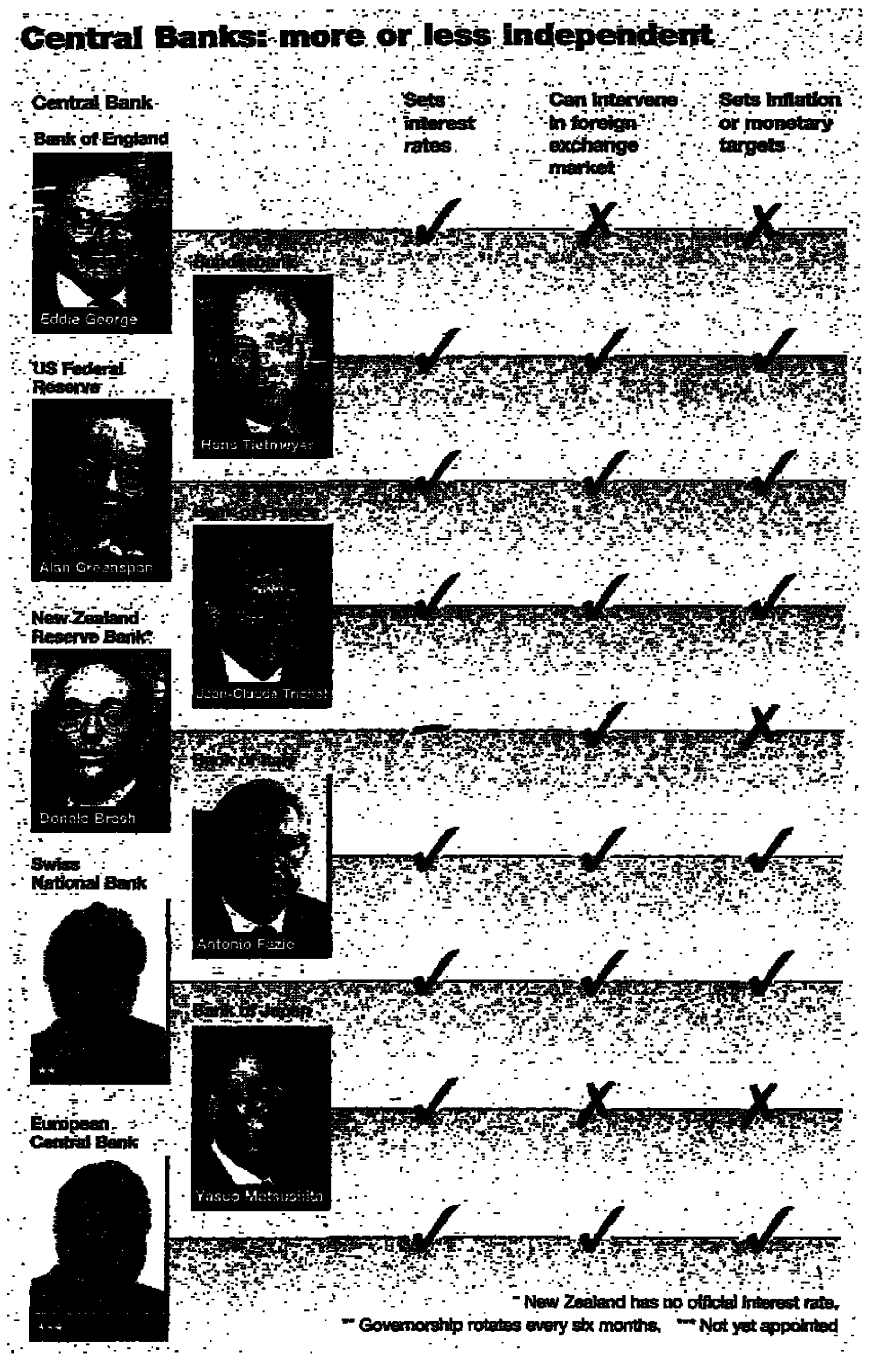
The Bank is characteristically tight-lipped about the contents of the extensive vaults under its headquarters in the City of London. Besides a relatively low-budget modern art collection, many assets are held on behalf of other central or commercial banks, rather than by the Bank itself.

The report for the year to March is due this month, but the previous year's accounts show shareholder's (government) funds of £1.08bn ($1.74bn) including £853m of profits retained from previous years.

The Bank's principal source of income is the reinvestment of the obligatory interest-free deposits which commercial banks have to place with it in proportion to their own deposits. In recent years, the Bank has paid a little over half its post-tax profit to the Treasury.

Perhaps the most tempting asset might be the registrar's department in Gloucester, in south-west England, which handles the registration of gilt-edged securities for the government and which could arguably be outsourced. More emotive is the question of privatising the Bank's note printing division.

Central Banks: more or less independent



Central Bank	Sets interest rates	Can intervene in foreign exchange market	Sets inflation or monetary targets
Bank of England	✓	✗	✗
Bundesbank	✓	✓	✓
US Federal Reserve	✓	✓	✓
Banque de France	✓	✓	✓
New Zealand Reserve Bank*	–	✓	✗
Bank of Italy	✓	✓	✓
Swiss National Bank	✓	✓	✓
Bank of Japan	✓	✗	✗
European Central Bank	✓	✓	✓

* New Zealand has no official interest rate. ** Governorship rotates every six months. *** Not yet appointed

Big obstacle to Emu membership removed

Doubt persists about whether nation will adopt European single currency

Mr Gordon Brown, the chancellor of the exchequer, defended the decision to increase the independence of the Bank of England on grounds of domestic policy and increased credibility with financial markets. He made it clear it was "very unlikely" that Britain would join Emu in 1999, a phrase consistent with his campaign promises.

Mr Brown even pointed out that his proposal fell short of a key stipulation in the Maastricht Treaty, which says that central banks should be granted statutory, instead of just operational independence. Furthermore, by retaining the right to set the inflation target, the government has only delegated the implementation of policy to the Bank but not the setting of the policy goal itself. In Germany, the Bundesbank not only sets interest rates, but also chooses its own monetary targets.

But his thoughts on Emu did not make the same impression on everyone. Some interpreted them as Labour at least wanting to keep its policy options open, including the option to participate in Emu, in the way that the previous government's wait-and-see approach did not.

Mr Avinash Persaud, foreign exchange strategist of J.P. Morgan, the US investment bank, indicated yesterday that the decision to give the Bank of England operational independence will amount to the most significant move the government will take in the direction of the single currency. The next two steps – cementing the current operational set-up by a statutory framework and even the jump into the single currency itself – would each have much less effect on the system of economic decision making and on its outcome.

"The government has made its biggest single step towards an independent monetary policy and indirectly European monetary union," said Mr Persaud. "The biggest obstacle to the UK accepting a single currency was the abandonment of the discretion in setting monetary policy that it implied," he added. "In taking the interest rate decision out of the hands of the Treasury, Chancellor Brown has moved this obstacle aside."

J.P. Morgan's Emu-calculator, which records market expectations of EU countries' chances of joining Germany in monetary union, registered a jump in the UK's probability rating from 35 per cent a week ago to 50 per cent yesterday afternoon, an indirect consequence of the rise in UK bond yields.

But there are also contrary opinions to be found in the markets. The decision to grant independence could plausibly be interpreted as an alternative to Emu membership, because it puts the UK economy in a stronger position to stay outside monetary union. Financial markets, in theory at least, would find an independent Bank of England just as credible as an independent European central bank.

This view was energetically defended by a member of the former panel of "wise people" which advised the UK's previous chancellor. He said: "The chancellor said that it is 'highly unlikely' that Britain will join in 1999. That is pretty strong stuff, and you have to take it that this means Britain will not join. It is the result of a thought process that goes back a long way. It is a serious attempt to deal with the country's long-run problems. Why would they go to all this palaver if this was only a transitional arrangement? The detail of this proposal is not consistent with a government that is planning to take UK into Emu."

He cautioned however that the government will have full power over exchange-rate policy, including the power to take the UK back into the exchange-rate mechanism, a necessary precursor to membership of Emu.

Whatever view one takes, the decision increases the government policy options, no matter what the intention behind the move. In doing so, the government has ensured that membership of Emu, post-1999, remains a fair bet.

Wolfgang Münchau

Attacks from the left shatter facade of unity

By James Blitz, Political Correspondent

The facade of unity which helped Labour to win the general election last week was shattered yesterday when some of the party's leftwing MPs vehemently criticised Mr Gordon Brown, the chancellor of the exchequer.

Labour MPs attacked his proposals to give greater independence to the Bank of England and vowed to oppose them when the relevant legislation is brought before the House of Commons.

Many of the MPs – who have still not surrendered their commitment to traditional tax-and-spend policies – believe Mr Brown's move would give control over important economic levers to unelected officials. Eurosceptics in the Labour party see Mr Brown's move as the biggest step yet in taking the UK into a single European currency.

Mr Denzil Davies, a Treasury minister in the Labour government of the late 1970s and still an MP, expressed astonishment when told of the announcement at his home in Wales.

"It is an unnecessary and retrograde step," he said. "I would oppose any legislation that makes the Bank of England independent without democratic accountability. It is extraordinary that a party committed to opening up government and reducing the powers of unelected officials should take this kind of step."

Mr Alan Simpson, head of Labour's left-of-centre Campaign Group, said Mr Brown's move was "a remarkable act of folly that he will come to regret". He said the commitment to give the Bank sweeping powers over monetary policy was not a manifesto pledge. "I know this is a new and exciting journey but it's a hell of a way to fly a plane if the first thing that happens is that the pilot jumps out of the cockpit."

A left-of-centre minister who has just been appointed to Mr Tony Blair's government also expressed concern at the move.

"I certainly don't think we should go back to the old days when governments decided everything about interest rates," he said. "But I sometimes think Gordon bounces the party into things without enough consultation."

Both Mr Davies and Mr Simpson said they would vote against legislation to amend the 1946 Bank of England Act when it is tabled in the Commons. But although Mr Davies believed some 50 Labour MPs might vote against the legislation, he acknowledged that the government's sweeping majority – and the probable support of the 46 Liberal Democrat MPs – ensured that the measures would go ahead.

While recognising that there was little they could do to stop the move, MPs in the opposition Conservative party were divided in their response. Mr Kenneth Clarke, who was chancellor in Mr John Major's government, said Mr Brown would regret handing powers over to the Bank of England. He said: "What you are going to see is tighter monetary policy than you might otherwise have got from a perfectly responsible chancellor of the exchequer."

But Mr Norman Lamont, Mr Clarke's predecessor as Conservative chancellor, said he was "delighted" by the move. "This change is right, should have been done by Conservative governments and Gordon Brown deserves full credit for a bold move," he said.

Europhobic Conservative MPs said they would attack the proposals when they come to the Commons. Mr Bill Cash, one of the party's leading opponents of further EU integration, said Mr Brown's plans were "the first big step towards monetary union" and vowed to wage a "Battle for Britain" over the proposals.

Minister to debate EU beef ban

By Alison Maitland in London

The Labour government plans a constructive dialogue with its European Union counterparts to get the ban on British beef exports lifted, Mr Jack Cunningham, the chief agriculture minister, said yesterday.

Mr Cunningham will visit Brussels on Monday for his first meeting with Mr Franz Fischler, the farm commissioner, and his consumer affairs counterpart, Ms Emma Bonino.

He said the UK had to stick to the Florence agreement – formulated at the EU summit last June – on a phased lifting of the ban which has been in place for more than 13 months.

"That was the deal. But if there are circumstances which allow agreements to be made outside the terms of the Florence agreement, that might be interesting," he said. Officials said this meant he was open to new ideas on how the ban could be lifted.

On both the beef ban and the controversial fishing issue of quota-hopping, Mr Cunningham emphasised the need for a "constructive dialogue" and played down pre-election talk from Labour politicians of possible blocking tactics at the inter-governmental conference. "We're not talking in terms of blocking things, we're talking in terms of progressing things," he said. But he insisted he would not be "a pushover".

Lifting the export ban would not be easy, but "I think we've got a better chance of doing constructive business with the EU, whatever the issue", he said.

Mr Jeff Rooker, a junior minister, will be in day-to-day charge of the beef crisis with a brief to ensure that no compromises are made with public health.

Mr Cunningham said reform of the EU common agricultural policy was also a priority, although it would be "like rolling rocks uphill". He signalled a strong emphasis on environmental issues and said more attention should be given to organic farming.

First signs of the expected radical shake-up of the agriculture ministry emerged with news that the government will soon publish a paper on an independent food standards agency.

Mr Cunningham said he had received an "excellent" report on Saturday from Professor Philip James, the Aberdeen-based nutrition expert. He was commissioned by Mr Tony Blair, the prime minister, before last week's election, to recommend how the agency be established.

The agency will have its role defined by statute and will be responsible to the agriculture ministry and the health department but "completely independent of ministers", said Mr Cunningham. "We'll be introducing legislation as soon as the business timetable allows ... we're not going to hang about."

Staff who are likely to be hived off to the new agency are being regrouped in preparation, he said.

Employers warn on $5.65 wage

By Stefan Wagstyl, Industrial Editor

A statutory minimum wage of more than £3.50 ($5.65) an hour would cost jobs and increase unemployment, Mr Adair Turner, director-general of the Confederation of British Industry, the biggest UK employers' lobby, warned yesterday.

"Once you move beyond £3.50 an hour it will have a negative impact," said Mr Turner, in the clearest indication of the level employers would find acceptable.

Mr Turner said that, because the Labour party had secured a mandate in its general election victory, the CBI would not waste time fighting the principle of the minimum wage. But the level at which it was set was "a key issue".

Implementing a minimum wage at too high a rate initially would send a shock wave through the economy, Mr Ken Jackson, general secretary of the AEEU engineering and electrical union, said yesterday, Andrew Bolger writes. Mr Jackson said his union supported the new government's policy of setting up a low pay commission to advise on the level at which a minimum wage should be set. But the union had made clear to the Labour party that it would seek to maintain differentials for skilled workers. "Our members deserve a higher increase due to the increased productivity we have delivered to companies time and again, without proper and due recognition," Mr Jackson said.

At a high level – for example £4.26 an hour, as demanded by Unison, the public sector workers' trade union – the impact on employment would be serious, said Mr Turner. One estimate showed that up to 200,000 jobs could be lost. The impact on jobs would be "very little" at a level of £3 an hour and below. "There's a range in between which must be explored and argued over," said Mr Turner, adding that the CBI would be making its submission to the low pay commission, as soon as its terms of reference were decided.

Mr Turner said that the government also had a clear mandate for its plans for compulsory trade union recognition. But he warned it was very important to define the law in ways which did not prompt tensions between workers and employers and between different trade unions. He suggested that single union agreements, as negotiated by some Japanese companies in the UK, would create the fewest difficulties for employers and the fewest opportunities for demarcation disputes.

Commenting on the government's plans to sign the social chapter of the Maastricht treaty, Mr Turner said it was important not to bring into the UK "interventionist" practices which had developed elsewhere in the EU. However, Mr Blair had an opportunity to transfer to the rest of Europe Labour's acceptance of free market policies.

هكذا من الأصل

THE EUROPEAN FILM INDUSTRY

Cannes, whose film festival today celebrates its 50th birthday, is the ideal setting for a marriage between creativity and commerce, says **Nigel Andrews**

Art in the embrace of mammon

Then and now: (clockwise from left) Brigitte Bardot, Gene Kelly and Maria Vlady, Sharon Stone, Andie MacDowell, Pamela Anderson-Lee, Christopher Hampton, Emma Thompson and Jonathan Pryce, and Leslie Caron. (Centre) Brigitte Bardot and Kim Novak

Pictures: Stephane Feter, Bob Hawkins/Kobal

Any annual cultural jamboree that lasts for half a century has earned its place in the history books. Yet by other standards, too, the Cannes Film Festival is exceptional.

It has suffered highs and lows, setbacks and scandals, joys and griefs. It has made history and been unmade by it, as in 1968 when *les évènements* – the public disorder which that year ground France to a standstill – brought an embattled festival to an early close. Yet when people ask me, as a near-veteran festival-goer of 25 years, what is special about Cannes I can only reply as an old-timer once did to me: "What is 'not' special about it?"

In 1946 the world discovered what seemed a perfect recipe for chaos. You begin by founding an event that will become the largest media get-together after the Olympics. You hold it yearly instead of four-yearly. And then you invite every country in the world, few of which share each others' languages, to celebrate an art where language is of major importance.

It shouldn't work, but it has. Some people believe the festival succeeded on a "monkeys and Shakespeare" principle. Put enough semi-intelligent living creatures – journalists, directors, stars, buyers, sellers – in the same space with enough communication tools, and eventually some radiant, universal cogency will emerge.

The secret, though – and one this festival discovered from its inception – is to find the right space. Few places could be better designed for the film world's top meeting-point than a pretty town on the Côte d'Azur with no airport. Here people are trapped for 12 days with enough champagne, fine food, sun, sea and movies to make detention seem like delectation.

"Cannes is the perfect size and it offers the ideal combination of work and holiday," festival director Gilles Jacob once told me. "There are the right number of beaches and hotels, there are excellent communications. There are over 40 cinema screens. And then there is the 'mystique'. "When people hear the words 'film festival', the next word they think of immediately is Cannes."

It is true. The very sound suggests so much, not least to English-language ears. It is the container in which film travels; it is the verb of possibility. It is also, for vacation fanciers across the globe, a sound that evokes a town at once compact and cosmopolitan, chic and approachable, elegant and exotic.

Furthermore, if any nation deserves to run the seventh art's main concession stand, it is surely the country that founded that art in the first place. The Cannes golden jubilee follows close on the 100th birthday of cinema in 1995, when we were reminded that France's Lumière brothers first lit up a public screen with the wonder of moving images.

Today, in recognition, the main viewing auditorium at Cannes is called the Salle Lumière, a place to which the great and famous ascend each evening through a maelstrom of flashbulbs and – *son* added to *lumière* – the most loudly amplified music on the Riviera.

The French begat cinema, raised it, loved it, wrote about it, nurtured it. Even today France is the only nation prepared to go to the wall to defend ideals of movie integrity (as happened during the negotiations for the seventh round of the Gatt agreement). Film in France is an organic culture. Cinephiles become critics; critics become film-makers, as did Godard, Truffaut and their *confrères* in the New Wave. Sometimes film-makers even become festival presidents.

So it was with the first figurehead of Cannes, writer-artist-director Jean Cocteau. He bequeathed the Palme d'Or to the world as an emblem of excellence – the palm frond logo uncannily resembles a laurel wreath, as befits a poet's gift to later movie poets – and he helped to create the sense of a giant cocktail party where art was expected to hold its own, and more, with mammon.

Since Cocteau, a stable relationship between these two has become central to Cannes ideology. Hollywood and Europe – two terms often used as shorthand for commercial and independent cinema – are asked to co-exist happily, at least for this fortnight in the public eye, and usually do so.

America is needed because she brings money and hoopla to the Cannes party, as well as blockbuster movies. Other countries, like guests carrying bottles of home-made wine or inexpensive but discriminating vintages, bring art and personal vision.

Cannes is ideally placed, says Mr Jacob, to encourage this *entente* between cultural opposites. "It is not just so that we can have the American films in competition that we invite the Hollywood studios and American companies, but so that American buyers and critics will see the best European and other foreign films, and buy them or promote them for showing in the United States."

Buy, sell: they are two magic syllables at Cannes, at least in the movie marketplace. At the peak of his business power Menahem Golan of Cannon Films told me why he came to the festival. "I can reach 10,000 people here. I can speak to everyone who is interested in film. I don't have to do deals over the phone. I can do them straight over the table. I've brought 40 films here and in two weeks I can have them sold all over the world."

Mr Golan was the man who became famous by signing a table napkin deal at Cannes with Jean-Luc Godard, the most surreal interface between industry opposites anyone could remember.

But if you have the cash or determination any door is open to anyone at Cannes, mainly because there are no doors: this is a world of beachfronts and open-air bars.

Since the Golan heyday the age of the Internet has arrived. today commentators ask: How long can film festivals go on if all their essential business, including film-watching, can be done in cyberspace rather than on the Carlton Terrace or in the Salle Lumière?

One answer is easy. There is no web site where you can drink champagne, nor any cyber-resort where you can sit on a sunny beach surrounded by the beauties of nature (animate and inanimate). Here, if you are a film critic, you scribble deep thoughts on a recent movie or, if you are a film maker or entrepreneur, you court your hoped-for associates.

Another answer is that the crush, crowd and excitement often deemed the curse of Cannes are in reality a blessing. They energise the world's response to a new movie season.

A *cause célèbre* at Cannes is a *cause célèbre* for ever: whether it is Antonioni's *L'Aventura* whose famously hostile reception won it more attention than a year of good reviews, or Tarantino's *Pulp Fiction* whose seismic impact at Cannes won it priority bookings across the world.

Anticipation can be as hectic as aftermath. Cannes is the only place where you can experience a jostling frenzy comparable to a football crowd while seeking entry to a movie that, you may quickly learn, could empty an entire stadium.

The scrimmage to get into one screening years ago was so intense that I remember pulling anxiously and vigorously at the cord on my special festival bag, containing photos and press kits, because it was trapped in the crush of people behind me. Only a minute or so later did I realise that my bag had long since been left behind in the *mêlée* and what I was now tugging at, as her loud protests indicated, was a young Frenchwoman's skirt.

At least we understood each other: two nations united by a common breakdown in propriety. Such breakdowns do not happen often at Cannes, though the myth would love to suggest they do. The festival was born out of chaos, but it was and is a chaos seeking harmony. A war-torn continent sought ways to reunite culturally and found cinema to be an ideal medium and mediator. It still is. And Cannes is still, for most of us, its ideal home.

EUROPEAN FILM INDUSTRY • by Alice Rawsthorn

Industry revival gives cause for celebration

As new TV channels come on air and multi-screen cinemas open, demand for movies is rising

It seems fitting that this year, of all years, the European film industry should have real cause for celebration as it congregates on the French Riviera to commemorate the 50th anniversary of the Cannes Film Festival.

Box office receipts are rising across the continent, and European names were prominent among the nominees, and winners, at this year's Oscar ceremony. *Variety*, Hollywood's parish magazine, recently ran an article entitled "The Return of the Natives" about the growing number of British-born producers who are forsaking successful careers in Los Angeles to return to London.

Arguably the most convincing evidence of a revival in the industry's fortunes is the influx of new investment. After a period in which several European companies were badly burnt in the film business – from Credit Lyonnais' unhappy stewardship of MGM/UA, to Canal Plus' and Carlton's losses after Carolco's collapse – new money is pouring into production and distribution again.

By far the most ambitious European investor is PolyGram, the Dutch entertainment group, which has spent six years – and more than $800m – on building a Los Angeles-based film business with production companies in the US, UK and France. After garnering 14 Oscar nominations for films such as *Fargo* and *Trainspotting*, this spring, PolyGram hopes to bring its film division into the black next year.

In France, Canal Plus has bounced back from the Carolco debacle by buying the UGC/Lumiere film library and setting up a London production office with Sony Pictures.

It is also participating in a consortium led by Pathé Pictures to bid for one of the four film franchises – each entitled to up to £39m of Lottery funds – soon to be awarded by the UK's Arts Council. Meanwhile Gaumont is establishing a London base, and has invested in *The Fifth Element*, the $90m blockbuster chosen as the opening night film for this year's Cannes.

Britain's film industry is flourishing. The number of UK-funded films hit a 15 year high last year, while foreign investment soared. Channel 4, the ITV companies and BSkyB satellite television group have unveiled plans to produce more feature films; and Richard Branson's Virgin group, another Lottery bidder, may soon diversify into film production.

German films are enjoying a level of success they have not experienced since the 1950s, at a time when cinema admissions are rising rapidly, thanks to the opening of new multiplexes. The comedies, *Werner – Das Muss Kesseln!* and *Maennerpension*, were among Germany's top 10 films last year. *Rossini* and *Knockin' On Heaven's Door* have fared equally well this year.

Europe still churns out art house classics – the Oscar-winning *Kolya* was the number one film in the Czech Republic during 1996 when it grossed nearly twice as much as *Independence Day* – but many film makers seem to have lost their old inhibitions about being populist.

"There used to be a feeling that this was an art house industry, and that it would be a betrayal to make a film the audience actually enjoyed – that's changed," says Duncan Kenworthy, producer of *Four Weddings and a Funeral*, which is the highest grossing British film ever, having taken over $250m worldwide since its 1994 release.

At the same time the North American audience has become more receptive to the sophisticated films at which Europeans excel. "We've been lucky in that these two things have come together," says Eric Fellner of Working Title Films, executive producer of *Fargo* and *Dead Man Walking*.

Another change is that the European industry's diversity is now as much a strength as a weakness. A "multicultural film" used to be a euphemism for Euro-puddings, which were trashed by the critics before being trounced at the box office. These days it might describe *The English Patient*, made by a British director in Italy and Tunisia with money from the US, or *Secrets & Lies*, Mike Leigh's uncompromising vision of contemporary Britain, produced by France's Ciby 2000.

Yet the chief catalyst for the European film industry's revival is the increase in demand for its output as new television channels come on air and multi-screen cinemas open. Dodona, the research consultancy, expects the number of European cinema admissions to rise by 150m to about 900m by the end of the decade, which bodes well for the follow-ups to *Werner*, *Kolya*, *Trainspotting* and the companies behind them.

THE FINANCIERS • by John Gapper

The lean years draw to a close

Producers are adapting to the increasing fragmentation of sources of finance

As the recent success of *The English Patient* – made by a British director with English and French leading actors but American money – demonstrated, the overwhelming source of finance for films remains the US. The estimated £725m that was invested in British films last year is a fraction of Hollywood's annual $35bn investment in making American feature films.

Europe lacks the vertically-integrated studios of the Hollywood model that finance the making and distribution of films, as well as the by-products such as merchandising. By contrast, European investment in films is gathered together from disparate sources such as pre-payment for distribution rights, bank bridging finance and national and local subsidies.

Yet despite the vastly-smaller scale of European investment in films, and its disparate nature, some argue that the late 1990s is a golden age for the financing of European films.

"I have worked in the business for 25 years, and I have never known a better time for stories to be written, and films to be made," says Simon Perry, chief executive of British Screen Finance, the privatised company which channels loans and grants to films.

Optimism is easier to find among those in Britain than in some of the other European markets. France is going through a lean patch in terms of both finance and creativity. Yet there are signs that Europe's producers are now adapting to the fragmentation of finance, and may be better suited than their US counterparts to an age of independent film-making.

Although most film-makers outside the US regard the flow of finance in Hollywood with envy, the studio model is going through its own crisis.

A rapid escalation of costs, and a growing reliance on occasional blockbusters to finance the rest of the industry, has weakened Hollywood's quality of earnings, while Europe is used to scraping by more cost-effectively.

Mr Perry says he still regards the studio model as "a Platonic ideal" for film-making, but says European producers are "weaning themselves from an unhealthy dependency on America".

Instead, they have become accustomed to assembling financial backing from various sources in different countries – including public subsidies for production in France and Germany.

The conventional method of film finance in Europe is to gain backing from distributors around Europe – including television channels such as Canal Plus in France and BSkyB in the US – and then to obtain bridging finance from specialist banks such as Guinness Mahon in London. Although there is also a degree of equity investment from funds, it plays a minor role.

The British film industry has been going through a period of strong development over the past two years, both because of a burst of creativity and because it has gained significant public subsidies for the first time through the National Lottery. Lottery money is now to be used to distribute about £160m over six years to UK film production through franchise companies.

This compares with a situation three years ago, when the total public subsidy for film-making was £4m, through a British Screen-managed programme.

Premila Hoon, head of film finance at Guinness Mahon, argues that "for a long time, the UK film industry was squeezed between public subsidies in Europe, and a US industry with which it could not compete".

There are some signs that this improvement in revenues could lead to an escalation in costs. However, although some skills shortages have emerged in the UK, some argue that price escalation is actually worse in France as a result of a level subsidy of a contracting industry. "Technicians are just charging more for doing less," says one industry executive.

In general, the European film industry seems to be emerging gradually from a period in the 1970s and '80s when it was both over-awed and financially out-gunned by Hollywood into a more confident phase.

"We are gradually seeing greater integration and co-production, and it is slowly becoming easier for producers to cross European borders," says Ms Hoon.

PROFILE PolyGram

Sean Penn and Michael Douglas in 'The Game', the $60m thriller by 'Seven' director, David Fincher, which debuts this autumn as the most expensive film PolyGram has financed *PolyGram/Tony Friedman*

Strategy put to the test

Test screenings are always nerve-racking events for the executives who have greenlit a feature film, but the first public screening of *The Game* at a small Los Angeles cinema last month was more tense than usual.

On paper, *The Game* has all the ingredients needed to be a hit. It has bankable stars in Sean Penn and Michael Douglas, and a hot director in David Fincher, a 34-year-old who began his career making pop promos and hit a Hollywood home run last year with the thriller, *Seven*.

The Game, scheduled for release in early autumn, also benefited from a $60m production budget, making it the most costly movie PolyGram, the Dutch company, now the largest European-owned film production group, has made in six years in the industry. If *The Game* is a hit, it will provide a welcome boost for PolyGram in the run-up to the launch of its US distribution network and raise the film division's chances of moving into profit next year.

Would Alain Lévy, PolyGram's French-born president, have decided to diversify into film production in 1991 had he known that, six years later, his company would have invested $800m and still be struggling to break even? "Absolutely," he says. "There are two ways of valuing this business: trading performance and asset value. We probably won't break even in 1997, we could do in 1998 – although I underline the word 'could'. But we have built a tremendously valuable asset."

Despite Lévy's enthusiasm, PolyGram's assault on the movie business has not been easy. The Dutch group, which owns the world's largest record company and is controlled by Philips, the consumer electronics concern, has flirted with Hollywood before. In 1977 it took control of Casablanca, a Los Angeles-based film company, only to incur heavy losses.

When PolyGram returned to Hollywood in the early 1990s, it took a very different approach. Mr Lévy sent one of his most experienced executives, Michael Kuhn, a British lawyer, to set up a company in Los Angeles. Mr Kuhn had no experience of the film industry, but Mr Lévy believed his objectivity would help him to curb the excesses of the profligate film business.

PolyGram began by investing $200m over the first three years, and has since spent another $600m to create a business composed of production companies such as Working Title, which made *Fargo* and *Four Weddings and a Funeral*, and Egg Pictures, Jodie Foster's production company, together with a recently formed television production unit, and a library of films and TV programmes including the rights owned by Lord Grade's ITC. It has also established distribution companies in the UK, France, Germany, Holland, Spain and Australia.

On the plus side, PolyGram has earned a reputation for making critical and commercial successes such as *Fargo*, *Dead Man Walking* and *The Usual Suspects* (all of which have scooped Oscars in the past two years) and *Trainspotting*, the cult British hit. These successes, coupled with innovative marketing, have enabled it to attract talented film makers, such as David Fincher and the *Trainspotting* trio.

The flip side is that PolyGram has been mired in unsuccessful bids for MGM/UA, the US studio, and Samuel Goldwyn Company. It is now battling Canadian authorities to set up a distribution company there to complement the US operation.

And so far, the profits from its critical hits have been insufficient to cover the losses from the flops, and PolyGram has only produced a handful of the commercial blockbusters on which Hollywood studios depend. Despite successes such as *Sleepers*, which has taken more than $160m worldwide, its biggest success is still 1994's *Four Weddings* with global receipts of $252m.

Mr Lévy is now gambling that he can bring the film division into the black by investing up to $340m over two years. This will be used to set up new distribution networks in the US, and possibly Italy, and to increase production capacity, probably through deals with directors such as David Fincher's three picture agreement.

Controlling distribution in the US, still the world's largest film market, is critical for the future profitability of PolyGram's film division. As a distributor, PolyGram could control its marketing in the US and retain more of the profits from hits such as *Four Weddings*.

Conversely, it would be fully exposed to the losses of its flops, and would need to release a steady flow of films to maintain credibility with exhibitors at a time of fierce competition for cinema screens. It intends to make up to 16 films a year from 1988, and from 1999 to release one movie capable of opening on over 2,000 screens every quarter.

Mr Lévy has needed a strong nerve to stick to his strategy, particularly over the past year when PolyGram's shares have been depressed by sluggish music sales. But if, as he hopes, the film division moves into profit next year, his gamble will pay off.

Alice Rawsthorn

PRODUCTION STUDIOS • by Alice Rawsthorn and Frederick Stüdemann

Renaissance for film facilities

Money is being poured into modernising old and creating new complexes

Along with the dark side of the Force and Luke Skywalker's light sabre, a disused aircraft factory at Leavesden in Hertfordshire will soon enter sci-fi folklore when George Lucas shoots the first of his three *Star Wars* prequels there.

Having constructed the sets, the *Star Wars* team is casting the movie and will soon start filming on Leavesden's sound stages – hastily converted from old aircraft hangers for the making of James Bond's *GoldenEye* three years ago. As soon as filming finishes in September, the site will be demolished and a new production complex built with state-of-the-art post-production facilities and eight sound stages.

A few miles away at Pinewood Studio, two new stages have been commissioned to bring the total to 20, while nearby Shepperton Studio is completing the construction of four stages and 40 production offices. Over at Hillingdon, on the western outskirts of London, Warner Bros executives are trying to secure planning permission to build a production studio and theme park complex.

The flurry of investment in the UK follows two buoyant years when Pinewood and Shepperton have been fully booked, thanks to the UK film industry's renaissance and Hollywood's new-found enthusiasm for shooting blockbusters in Britain. Elsewhere in Europe, efforts are being made to revitalise other old studios, including Babelsberg near Berlin, where Fritz Lang and Josef von Sternberg worked in the 1920s, and the legendary Cinecitta site in Rome.

Only a few years ago the picture looked very different. The grand old European studios were either mothballed, or moribund. The exceptions were Pinewood and, to a lesser extent, Shepperton, which were quicker than their continental counterparts to realise that, even if demand for feature films was dwindling, they could make healthy profits and maintain modern facilities by shooting commercials, TV dramas and pop videos.

By the mid-1990s, when Hollywood producers were returning to the UK and more British feature films were being given the green light, Pinewood's success helped to persuade Compagnie Générale des Eaux (CGE), one of France's largest industrial groups, to spend $100m on buying the dilapidated Babelsberg complex from the German government. It also prompted Ridley and Tony Scott, the British-born brothers who have directed a string of Hollywood hits including *Bladerunner* and *Thelma & Louise*, to acquire Shepperton, Pinewood's arch-rival.

The Scotts have since invested heavily in modernising and expanding Shepperton's facilities; while CGE has ploughed $235m into building new sound stages, post-production resources and a digital effects unit at Babelsberg. Other investors have also poured capital into creating new European production complexes, or renovating existing ones.

Ardmore Studios near Dublin took on a new lease of life in 1983 when the Irish government introduced tax incentives for film makers. Demand for film facilities in Ireland has since risen rapidly, and a digital effects studio has opened in Galway.

Last year the Italian authorities unveiled plans to privatise Cinecitta in a bid to bring its facilities up to Hollywood standards. The Russian government is now considering handing over control of Mosfilm, the sprawling but antiquated Moscow studio. Meanwhile a consortium of French investors has unveiled proposals to modernise the outdated Studios 91 complex in the village of Arpajon, near Nice.

One of the most aggressive investors has been Warner Bros, part of Time Warner, the US entertainment group. Last year it opened a Movie World complex at Bottrop near Düsseldorf, which is modelled on the Warner Roadshow Movie World studio and theme park development at Oxenford on Australia's Gold Coast run by Warner with Village Roadshow and United News & Media, the Australian and UK media groups.

Already Australia's biggest – and busiest – production studio, Movie World has profited from the recent resurgence of Australian cinema. So far, the Bottrop development has fared equally well in Germany. At 6,000 square metres it is nearly as big as Babelsberg, and has had more success than the latter at persuading the newly buoyant German film industry to shoot features there.

Warner and its partners are now trying to clinch planning permission for a Movie World development in the London suburb of Hillingdon. Securing the necessary consents has proved more difficult than they expected, and the project has slipped behind schedule. The partners have considered other sites, notably Greenwich in south-east London, and the Hertfordshire town of Hatfield, where Steven Spielberg will spend this summer shooting part of *Saving Private Ryan*, a second world war drama, but neither was deemed suitable. They are now pressing ahead with plans for Hillingdon and, despite the delays, Warner executives claim to be confident that the project will come to fruition.

Will there be enough demand for Europe's production studios once the extra capacity comes on stream? Babelsberg is already struggling to attract feature films, although it is busy on the television front, whereas Leavesden expects to kick off its new complex with the next two *Star Wars* prequels, and other studios seem equally optimistic.

"We've been tremendously busy for the past three or four years, and we're fully booked until August," says Steve Jaggs, managing director of Pinewood Studio. "That's as far ahead as you get in this business. But put it this way, if we didn't feel positive, we wouldn't be building two new sound stages, would we?"

HOLLYWOOD IN EUROPE • by Alice Rawsthorn

Tinsel town goes east

Rising costs in the US have lured American producers across the Atlantic

Luc Besson directing 'The Fifth Element', the $90m blockbuster financed by France's Gaumont, which is the opening night film at Cannes. One of the most expensive movies to be funded by a European company, it will be distributed by Sony in North America

The opening night film at the 1996 Cannes Film Festival is *The Fifth Element*, a $90m Gaumont production in which Luc Besson, the French director, presents his vision of 24th century Manhattan with skyscrapers stretching 200 storeys into the sky and 200 storeys below the ground.

Most of the visual effects, including shots of the skyscraping skyline and subterranean tunnels, were created on the computers of Digital Domain in Venice, California. But the live sequences of the film, starring Bruce Willis and Gary Oldman, were shot at Pinewood Studio in leafy Hertfordshire.

A dozen other blockbusters – including *Mission Impossible, Evita, 101 Dalmatians* and *The Saint* – were made in Europe last year, most of which, unlike *The Fifth Element*, were funded from the US. Stanley Kubrick has spent this spring filming *Eyes Wide Shut*, a Warner Bros thriller starring Tom Cruise and Nicole Kidman, at Pinewood. Steven Spielberg is now shooting *Saving Private Ryan*, a second world war drama with Tom Hanks for his DreamWorks entertainment group in Hatfield.

The influx of Hollywood investment has provided a welcome source of capital for the European film industry. In the past the US studios have tended to shoot in Europe whenever the dollar was strong, only to withdraw as soon as exchange rates became less favourable. This time there are signs that their enthusiasm may be more enduring.

Currencies played a critical part in reawakening Hollywood's interest in Europe when the dollar strengthened after the 1992 ERM crisis. The US studios began by shooting low budget productions, initially in the UK. They then moved to Ireland, lured by the 1993 tax breaks, and to eastern Europe, where extras were cheap to hire and the streets could be cleared for spectacular action sequences.

At the same time the cost of filming in Los Angeles escalated, as did demand for production facilities there. The Hollywood studios started to base more expensive productions in Europe.

Both *GoldenEye*, the last James Bond movie produced by MGM/UA, and Paramount's *The Saint*, were filmed in England and Russia. *Mission Impossible*, the $64m Paramount production, was shot in England and the Czech Republic, with a helicopter chase "inside" the Channel Tunnel.

Filming in some European locations can be problematic. A member of the *Mission Impossible* team described the Czech's attitude to their arrival in Prague as "Shake down the Americans for all they're worth". Even Ireland has its drawbacks. "The figures looked great on paper thanks to the tax breaks," recalled one British producer after shooting a Hollywood-funded picture there. "Then we realised none of the construction team had worked on a movie before, and that all our incidental expenses, even newspapers, cost twice as much as we'd expected."

Most US producers play safe by choosing the UK as their European production base, partly because of the common language, and partly because of the skilled labour and technology available at Pinewood, Shepperton and Leavesden Studios.

The German studios, Babelsberg near Berlin and Warner Bros' Movie World complex on the outskirts of Düsseldorf, are equally well-equipped, but their efforts to woo Hollywood productions have been dogged by the strong D-Mark.

Sterling's recent rise against the dollar has raised the cost of shooting Hollywood films in the UK, but does not seem to have deterred US producers. George Lucas will spend the summer shooting the first of three prequels to *Star Wars* at the new Leavesden Studio in Hertfordshire, while a Warner Bros crew working on *The Avengers* has just left Pinewood to make way for *Tomorrow Never Dies*, MGM/UA's next Bond movie.

"There was some concern when the dollar exchange rate started moving against us, but it hasn't reached a dangerous level," says Sir Sydney Samuelson, head of the British Film Commission. "A week ago I got a call from a US producer who needed six stages to make a sci-fi film in late summer, and I couldn't find anywhere with enough space left."

One reason why the US studios appear unperturbed by the stronger pound is that Hollywood production costs are still rising, thereby diminishing the impact of exchange rates on production budgets.

Yet the main reason for Hollywood's new-found interest in Europe is the growing importance of the foreign market. Box office receipts from the "rest of world", as the US studios call everywhere outside North America, grew by 7 per cent to $2.5bn last year, according to the Motion Picture Association of America, while domestic revenue rose by 1 per cent to $2.4bn.

Europe is one of Hollywood's fastest growing markets, and should show strong growth for the rest of the decade as hundreds of new multiplexes and megaplexes are built.

Arguably, the easiest way for the US studios to make their pictures appeal to the fast-expanding foreign audience is by including familiar locations. Several studios have gone further by expanding administrative and distribution operations in Europe, and establishing new production units.

Warner Bros is not only shooting more films in Europe, but has opened an animation unit in London and unveiled plans for a Movie World studio and theme park at Hillingdon, Middlesex. Walt Disney is also reportedly looking for a UK production base, and has already opened an animation unit in Paris with 24-hour video conferencing where its French animators can communicate directly with their US counterparts – and even show them their sketches.

CINEMAS • by Alice Rawsthorn

Welcome to the megadome

Multi-screen complexes are set to proliferate as US groups target Europe

An otherwise inconspicuous street in Ontario Mills, California became a battlefield for the US cinema industry this spring when a 22-screen Edwards Cinemas megaplex opened opposite a 30-screen AMC cinema complex.

Multiplexes and megaplexes have sprung up across the US in the past two decades, but Ontario Mills is the first place where two huge cinemas have been built so close together. The ensuing battle underlines the saturated state of the US market and explains why so many North American operators are turning their attention to Europe.

Hundreds of new European cinemas are scheduled to open before the end of the decade. Warner Village alone – a joint venture between the Warner Bros subsidiary of Time Warner, the US entertainment group, and Village Roadshow, the Australian media concern – plans to build nearly 300 multiplexes in the next four years. A recent study by Dodona Research predicts that 2,000 cinema screens will open across Europe by the year 2000, bringing the total to more than 22,000.

In theory, the availability of new cinemas offering a wide choice of films with good catering and merchandising, should benefit the European industry by tempting more people to go to the cinema and triggering a rise in box office receipts.

"If you make cinemas more attractive, people will go more often," says Alain Lévy, president of PolyGram, one of Europe's largest entertainment groups. "That's what happened in the United States, and Europe's got a long way to go before the market reaches saturation."

The precedent set by the UK and Germany is encouraging. Annual admissions have doubled in the UK since 1985 when The Point, the first multiplex opened in Milton Keynes as a joint venture between AMC, the biggest US multi-screen cinema operator, and Bass, the UK leisure group. More than 900 multiplex screens have since opened, and 132m tickets were sold last year, a 15 per cent increase over 1995.

A similar pattern is emerging in Germany where multiplex construction started later than it did in the UK. Some 600 new screens have opened there since 1990, but the level of construction activity is accelerating. There are now 30 cinema complexes with at least nine screens, nearly half of which opened last year.

Box office receipts have risen sharply, with ticket sales reaching an unprecedented $796m in 1996, an 11 per cent improvement over 1995. German-language films have fared well, mustering a 72 per cent increase in revenue last year, largely because the new multi-screen complexes can show a wider range of films, rather than a limited selection of Hollywood blockbusters.

Both the UK and Germany are still prime targets for investment. Warner Village plans to add another 23 cinemas to its 17-strong UK chain by 2000, including a 30-screen megaplex with 4,500 seats in Birmingham, which will be the biggest cinema in the country. It has also scheduled some 16 multiplex openings in Germany, where it already owns four.

UCI – a joint venture between Universal and Paramount, the Hollywood movie studios owned by Seagram and Viacom, the North American groups – plans to open two new UK multiplexes this year, together with six in Germany, including two in Berlin.

Dodona expects 600 new multiplex screens to open in the UK by the year 2000, and predicts a healthy increase in annual admissions from 130m to 180m. It also anticipates about 200 screen openings in Germany, bringing the total to more than 4,250 by the end of the century.

Other European countries will also gain new cinemas from a combination of foreign and local investment. AMC, which withdrew from Europe several years ago after opening The Point, is returning with an ambitious construction programme.

Village Roadshow teamed up with Vardinoyannis, a Greek oil group, to open Greece's first multiplex last winter. They now have 10 other developments in the pipeline for Greece. Warner has joined forces with Lusomundo, the Portuguese media company, to build 15 multiplexes there. They also plan to develop a 20-strong chain in Spain with a local partner, Sogecable.

Virgin, Mr Richard Branson's leisure group, is considering proposals to extend its recently acquired UK cinema chain to continental Europe. Heron International, the privately-owned property group, recently unveiled plans to invest £135m on building a chain of five multiplexes in France and Spain.

The Scandinavian cinema market is also expanding. Construction will start this summer on a 40-screen megaplex in Helsinki, which will be run by Finnkino, Finland's largest cinema operator. Sandrews Metronome, a joint venture between Sandrews, the Swedish film company, and Norway's Schibsted, is converting an old Helsinki theatre into a 10-screen multiplex, and is searching for appropriate sites in Norway.

At present, there seems no shortage of enthusiasm, or capital, for building new cinemas in Europe. Indeed, the chief obstacle is the limited supply of sites. Conventional wisdom suggests that a typical town can only support one multiplex – unless, of course, events at Ontario Mills prove otherwise.

PROFILE Canal Plus

Taking the lead as a supporting actor

There could hardly be a more appropriately colourful setting for the headquarters of Le Studio Canal Plus in Paris than a 19th century building which was originally an up-market brothel and more recently the offices of former prime minister Edouard Balladur.

Nor, is there a more symbolic image of the sinuous development of the film production subsidiary of the French pay television station over the past few years than the twisting staircase that dominates its two-storey office space.

Founded in 1986, Canal Plus, its parent company, always had an important role in France's highly-regulated system of support for the film industry.

It is obliged to spend 12 per cent of its turnover on French and European films, in exchange for the right to broadcast its encrypted, subscriber-based service – including films several months ahead of its rivals.

In an effort partly to protect independent production, broadcasting regulations also prevent Canal and the country's other mainstream TV companies from taking a controlling role with directors in making films.

But Brahim Chioua, deputy managing director of Le Studio, says that Canal created his company in 1990 after resolving to take a more active role in film production, since "films, along with sport, are the soul of the chain".

The result is that of the FFr2.7bn (£280m) spent financing French films in 1995, Canal Plus contributed the largest slice, at FFr912m making nearly 34 per cent, well ahead of the FFr449m from the country's other TV broadcasters.

Canal Plus' support included more than 7 per cent of the total from Le Studio alone – a commitment separate from its legal obligations.

'A Self Made Hero' by Mathieu Kassovitz whose new film, 'Assassins', is in competition at Cannes

While some argue that the quality of French films leaves something to be desired, Mr Chioua argues that the system has at least allowed France to be the only European country in which such a high proportion of its national cinema market – 37 per cent last year – comprised domestic films.

However, the initial strategy of Le Studio was not entirely happy, with what Mr Chioua calls "the US adventure" proving highly costly.

The company linked up with the ill-fated independent producer Carolco, as well as Regency, and undertook production on its own behalf. Its more successful efforts included *Basic Instinct, Terminator* and *Stargate*.

Although many say it was a catastrophe, says Mr Chioua, what happened must be set in context. "It was not just Carolco, but all the US independents that tried to compete." Some films had proved successful, but nonetheless highly expensive bets.

It is only this year that Le Studio will write off the costs of its involvement in the US, after reporting losses in 1994 of FFr203m, FFr160m in 1995 and some FFr50m last year. Mr Chioua hopes that from next year, the company will start to generate profits.

In 1994, Pierre Lescure, chairman of Canal Plus and its production subsidiary, resolved that Le Studio should in future focus on investments in Europe, arguing that the risks would be lower there and the potential to make profits greater closer to its parent company's base.

Since that time, Le Studio has created a series of joint ventures, including a partnership with Téléma, as well as 49 per cent stake in both Les Films Alain Sarde and Lazennec Films in France, which forms the focus of its activities.

It supports some 15-20 films a year, making it the single largest player in France. The result has been its involvement in a number of critical and commercial successes, including *La Haine, Un Hero Très Discrèt, Le Bonheur Est Dans Le Pré, Nelly et Mr Arnaud* and *Capitaine Conan*.

Some funding has also come through Studio Image 2, the company's contribution to France's "Sofica" system of investment funds with tax advantages, designed to encourage additional financial support for films.

The company has also been active in other markets, notably the UK, where it has a 75 per cent stake in TOC (The Other Company) and a 50:50 joint venture with Sony called The Bridge, signed last December. It has supported films including *The Pillow Book* and *Il Postino*.

At present, Le Studio is competing for money to fund British films through the Arts Council of England's National Lottery Scheme, in a consortium bid led by the rival French producer Pathé.

But much of its focus has been on continental Europe – notably the Latin countries where funding has been in shorter supply. And it is increasingly looking towards south-east Asia – a market which it says has a strong interest in European films, and considerable talent. Hence its contract signed last year in Korea for distribution – an initiative which could lead to finance agreements.

Andrew Jack

BUSINESS AND THE ENVIRONMENT

The industry saves cash by burning hazardous waste but its regulation is under a legal spotlight, writes Michael Peel

Cement kilns under a cloud

Burning hazardous waste in cement kilns inflames passions across northern Europe. Cement factories have embraced it as a fundamentally safe way of keeping fuel bills down, but environmental groups and people who live nearby believe it is a scarcely regulated process whose effects on health are far from clear.

The European Union has tried to set standards in its directive on hazardous waste incineration, which will apply to existing cement plants from 2000. But the legislation may do little to placate those campaigning against cement companies that burn waste.

A long-running UK dispute over emissions from Castle Cement's Ribblesdale works in Clitheroe, Lancashire, looks set to escalate as the company has applied for permission to power its kilns by burning high-chloride industrial waste and rubbish such as tyres, carpets and textiles.

In addition, the Environment Agency, the independent environmental regulator set up last year by the government, said last week that it is to prosecute the company over breaches of emission limits during February at Ribblesdale.

Ribblesdale already uses secondary liquid fuel, a mixture of solvents and industrial waste, to heat its kilns. Castle Cement burned 43,000 tonnes of the fuel last year in the UK.

The company says that instead of paying £28 per tonne of coke, it was paid £5 a tonne by waste disposal companies to take the secondary liquid fuel. However, the consultancy Oakdene Hollins estimates that in 1996 UK cement manufacturers received, on average, between £20 and £25 per tonne of the fuel.

Mary Horner lives three miles from the Ribblesdale facility and is one of many residents to complain of periodic chemical odours. "I get an irritable pain around my kidneys and liver and I get pains underneath my ribs," she says. Her son has recently started to suffer from asthma.

Richard Boarder, Castle Cement's process development manager at Ribblesdale, says the smells are not the result of the burning of hazardous waste. "The burning of the SLF is insignificant in terms of emissions compared with the normal work of the factory," he says.

"One can say that the publicity has sensitised local people to the fact that there is a cement works nearby and that is making things much more difficult for us." There is no evidence so far that burning the fuel produces gases harmful to human health, says Boarder. The odour reported by Horner is sulphur dioxide only, he adds.

Horner says she has detected smells of sulphur, ammonia and formaldehyde. Tests carried out by the National Physical Laboratory without Castle Cement's knowledge showed an odour, although undetermined, was present even when sulphur dioxide was at too low a level to be smelt.

Residents have also expressed concern about emissions of heavy metals. A report by the Commons environment committee published in March concluded that emissions of lead, which causes nervous disorders when ingested by humans, and the carcinogens chromium and nickel increased significantly when secondary liquid fuel was burned.

Ribblesdale is one of three cement plants that are the subject of pending judicial reviews granted to people who live near the factories. The reviews are expected to be held early next year and will examine the steps the Environment Agency took before allowing companies to burn the wastes.

Phil Shiner of Tyndallwoods, which has a department specialising in environmental law, is the solicitor acting for the residents of Ribblesdale, Whitwell in Derbyshire and Thrislington, County Durham, who applied for the reviews. He says applications to burn industrial wastes as fuel will be much more closely scrutinised if the cases go against the agency. "The consequences would be that the agency would have to apply a much more rigorous set of procedures before consent was granted," he says.

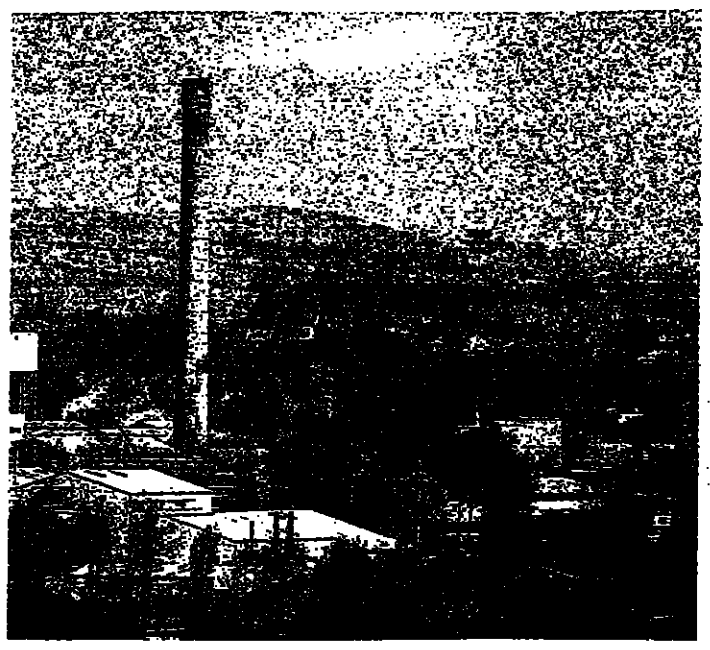
"The procedures followed by the agency in these cases were lax, inconsistent, lacking in rigour and legally flawed. If a proper assessment had been carried out, consent to combust solvent waste could not have been justified."

In fact, Redland Aggregates and the Environment Agency applied to have the review concerning the Redland plant in Thrislington set aside. But in March the application was dismissed in the High Court, which awarded all costs against the agency and Redland. "This is a war of attrition," says Brian Gibson, who lives in the Thrislington area, who was initially granted leave for the review.

"Instead of concentrating on fighting this case [on the issues], the agency and Redland have wasted enormous amounts of time and money in this desperate attempt to knock out my case. I am delighted that my case will now proceed," says Gibson.

The attention paid to UK cement plants since they started to burn secondary liquid fuel has also prompted questions about their normal cement-making operations.

Plumes of sulphur dioxide from Ribblesdale sometimes ground in nearby inhabited areas. The sulphur dioxide is a byproduct of the cement-making process rather than from burning secondary liquid fuel.



Inflaming passion: Castle Cement's Ribblesdale works Photograph: Phil Noble

The Pollution Inspectorate, forerunner to the Environment Agency, concluded in December 1995: "It appears possible that concentrations of sulphur dioxide in the grounded plume are sufficient at times to induce eye and upper respiratory tract irritation."

Boarder says the effects of the sulphur dioxide releases are not sufficiently serious to cause concern. "We operate a plant that has been on that site for some time with no evidence of any health hazard except for minor irritations," he says. "I would expect something that is having an effect on health to be making me ill. I don't believe that Castle Cement is making people ill."

Yet a study described by the Commons environment committee report as "scientifically sound" found children at primary schools near the Ribblesdale works were 2.7 times more likely to have sore eyes and 1.8 times more likely to suffer from sore throats than children in similar areas not near the works.

Boarder says the methodology of the research may be flawed. "I haven't looked at it myself but others who have say the report didn't say how the statistics were dealt with. A lot more work would have to be done to satisfy us that the findings of that report are to be taken as conclusive."

The court action follows breaches of emission limits by the plant during February.

The Environment Agency was heavily criticised in the environment committee report for "examples of inefficiency and lack of foresight" in its handling of the situation at Ribblesdale. "The Environment Agency must act to restore confidence in its regulation of the cement industry," the report said.

Castle is spending £4m on a new flue gas scrubber which it hopes will remove 90 per cent of the SO_2 from the kiln gases. The company expects the scrubber to be operational in the first half of 1998.

The dispute over Ribblesdale seems unlikely to die down before then. Boarder says moderating some operations of the plant in the interim to prevent further emission problems is not an option: "We either run a cement plant or we don't."

"Yes, we could switch off kilns and use imported cement. Clearly we'd go out of business if we did that," he says.

Up in the air: emission limits

Limits for cement kilns burning hazardous wastes as fuel (mg/cubic metre except where otherwise indicated)

	EU directive	Ribblesdale	Dutch kilns	German kilns
Particulate matter	10	[illegible]	[illegible]	[illegible]
NOx	[illegible]	[illegible]	70	200
SOx	[illegible]	[illegible]	[illegible]	50
CO	[illegible]	[illegible]	50	–
HCl	[illegible]	[illegible]	10	10
HF	[illegible]	[illegible]	1	1
[illegible]	[illegible]	[illegible]	10	10
[illegible]	[illegible]	[illegible]	0.1ng	0.1ng
[illegible]	[illegible]	[illegible]	0.05	0.05
[illegible]	0.05	0.1	0.05	0.05
[illegible]	0.5	1	1	–

Sources: EU directive on hazardous waste, 1990 German federal emission control act, Environment agency, NGO Waste and Environment

A burning issue in Europe

National regulations of European countries on burning waste to fire cement kilns are matched in their complexity and diversity only by the EU directive on hazardous waste.

Emissions permitted by the directive vary according to the proportion of the energy obtained from burning the waste.

If a plant obtains more than 40 per cent of the energy from the burning of hazardous waste, then the standard directive limits apply to the exhaust gases. If less than 40 per cent of the heat is derived in this way, then only that percentage of the exhaust gases must meet the directive limits.

The emission limits for the Ribblesdale plant, which burns 40 per cent hazardous waste, are twice as generous as those in the directive for heavy metals.

Some environmentalists argue that national environmental regulatory bodies should follow the example set by the Netherlands and class all burning of waste by cement companies as waste-processing, making the plants subject to the much stricter standards that apply to waste incinerators.

Cement companies say this would be unfair as the pollution resulting from the burning of waste is minimal compared with the emissions produced by the cement-making process.

The one cement kiln in the Netherlands burns rubber but not solvents. Margaretha de Boer, the Dutch environment minister, believes incinerator emission limits should apply to cement kilns that burn waste. "In my view the use as a fuel has to be judged as processing of waste," she said in an answer to a parliamentary question.

Guy Luigen, the environment minister for the Belgian region of Wallonia, has set up a scientific committee to investigate the burning of hazardous wastes.

In Germany kilns which burn waste must meet the limits imposed by the EU directive, while in Norway the two cement plants are licensed to burn hazardous waste. "These licences are based on the EU directive, and all emission limits are in line with the directive," says Tor Faerden of the Norwegian Pollution Control Authority.

Where regulatory systems are similar, the standards the cement industries set themselves may vary considerably. Swedish cement plants are licensed to burn waste by SNV, the Swedish environmental protection body, in much the same way as the Environment Agency licenses UK kilns.

Per Junker of SNV says 80 per cent reductions in emissions of NOx, which cause acid rain, should be possible using the technique SNV considers to be the most effective available, non-selective catalytic reduction. Two of the Swedish plants, owned by Scancem, have achieved reductions in NOx of more 80 per cent, he says.

However, Castle Cement in the UK, which is owned by Scancem, says the technique is still a relatively unproven way of reducing emissions.

Such differences in interpretation would defeat any attempt to harmonise emission regulations by tightening up legislation.

MP

ARTS

Dear Michael Jackson,

A welcome passion for the medium

Christopher Dunkley writes an open letter to the new head of Channel 4

Congratulations on your appointment as chief executive of Channel 4, a position which has been filled so far by two of the most talented and extrovert managers in British television: Jeremy Isaacs and Michael Grade. Either one would be a hard act to follow. They were 49 and 45 respectively when they began the job, and you were 39 in February. I happen to believe this is the second best job in British television, the best being controller of BBC2.

Why? Because, although it does not achieve the highest ratings or command the biggest budgets, BBC2 consistently provides the most intelligent schedule and the most attractive programmes for the demanding viewer. In an industry where populism always was important and has now become paramount, even in the UK, BBC2 has managed to provide an alternative for the thinking viewer and to make specialised programmes which have won sizeable audiences.

Some will argue that this has only been possible within the protected enclave provided by the BBC with its licence fee and BBC1 as a ratings banker. Yet nobody can deny that BBC2 has made an extraordinary success of programmes such as *Horizon* (science), *Top Gear* (motoring) and *Food And Drink*; a success which has never been matched by Channel 4 despite the worthy intentions of its famous "remit" and the demand from parliament that it provide a "distinctive" service. I think that if Channel 4 could have achieved similar successes it would have, but it has never happened. Both channels win an audience share of 10 to 12 per cent, but where BBC2's Top 10 is full of factual and *home-grown series, C4 wins* its share with American imports, quizzes and soap opera, like so many other networks.

But I don't have to lecture you about the virtues of BBC2: you were controller of the channel when your contemporaries were still doing work experience. Given that you moved up from that job to become director of television for the entire BBC and controller of BBC1, some may wonder why you should want to step aside into what might seem like a less significant post. But (remembering that Michael Grade is on a "remuneration package" worth about £625,000 which makes BBC pay look a little wan, even if this alone would not tempt you away) there are good reasons, aren't there?

You and Channel 4 are both products of the modern age of the mass media: the *channel came into* existence in 1982 three years after you had left the Polytechnic of Central London where you took a first in media studies. And when you left what did you become? Organiser of the Channel 4 Group, a lobby dedicated to getting a big chunk of programming for independent producers. Then – as a highly successful young indie yourself – you made *The Sixties* and later *The Media Show* and *Open The Box*. From the start it seemed pretty clear that you didn't share the patrician view of many of those who used to run television that it was all right to earn your living in the industry, and okay to appear on screen, but a bit naff to actually watch telly. You never thought that a passion for *The Avengers* or *Thunderbirds* was a reason for shame. Indeed, you took to mounting theme evenings on BBC2 for people who particularly liked that sort of thing.

Having spent my life opposing that mixture of superciliousness, fear and ignorance which has always characterised so much of the British middle-class intelligentsia in its attitude towards television, I welcome your enthusiasm for the medium. I have strong reservations about the fashionable attitude that "better" and "worse" are meaningless concepts in art and culture and that popularity is the only true measure, but although I suspect you might flirt with that notion in a late night argument, I reckon the most telling evidence of what you really stand for is contained in the programmes you have made and the schedules you have built. Those suggest you are much the best candidate for this job.

Could I make a few suggestions about what you might do? First, since almost every other channel (apart from BBC2) is now going flat out for populism, "being different" should mean C4 not doing so. In the long term you might try to reduce the vast quantity of American material that the channel has carried, ever since the earliest days under Jeremy Isaacs when it had a bigger proportion than any other in Europe. Then, since every other network is besotted with youth, and given that demographics show the balance swinging rapidly towards the older section of the population, you might drop such inane and embarrassing material as *The Girlie Show* and go for something braver.

Given that you were the creator of *The Late Show* on BBC2, and that it has now been scrapped, it would be good to see you bringing daily arts coverage back to television. And given that, similarly, you were the creator of *Open The Box* and *The Media Show* for Channel 4 in your days as a producer, and that there is now not a good regular series about the press or television itself on any channel (though C4's own *Right To Reply* is the best of that specialised sort of programme) we shall look to you to fill the void. It is particularly shameful that television has never maintained a watching brief for the public on newspapers with anything like the assiduousness that the papers have scrutinised television. The disappearance of the token quarter-hour *What The Papers Say* emphasises the gap.

Finally, is there any hope that at Channel 4 you will be able to do what the last four controllers of BBC2 have all promised but failed to do: show the entire *Bilko* series in chronological order at a reasonable time of day? Apart from that brief flare of genius in *Fawlty Towers* I regard *Bilko* as the greatest television comedy ever made, and although your enthusiasm is, I believe, slightly less than mine I know what importance you attach to the proper use of archive material. If BBC2 doesn't have the rights tied up, could you have a go?

Good luck.

Anne-Marie Owens as Venus: musically, the new production was a fitting climax for Paul Daniel's seven-year tenure as music director at Opera North

Alastair Muir

Opera/Andrew Clark

Split-identity Tannhäuser

Staging a Wagner opera is a challenge no company takes on lightly, especially in the cash-strapped British regions. Opera North's new production of *Tannhäuser* – the work's first professional showing in the UK for 10 years, and the first outside London for more than 30 – is therefore a major event in the calendar. The opening night at the Leeds Grand Theatre on Saturday proved a fitting climax to Paul Daniel's seven years as music director – he takes up the same position with English National Opera next season – but it was not the unqualified triumph the company deserved. A confused and sometimes comic staging by the director-designer David Fielding resulted in a *split* identity: what we heard was rarely matched by what we saw.

The fact that the musical quality swept all before it is a tribute to Daniel's maturity as a Wagner conductor and his unimpeachable preparation of cast, chorus and orchestra. It was not just the clean articulation, refined string textures and natural balances which gave the performance uncommon fluency. Daniel proved himself a master of Wagnerian transition, as effective in shaping the music's grand design as in knitting together the prodigious motifs and melodies of each paragraph.

Daniel chose the Dresden version – leaner and more consistent than the revision Wagner made for Paris – and remained true to it in spirit as well as letter. What we heard was the light-footed vitality of a composer in his thirties: the overture and Act 2 procession were free of the bombast that mature Wagner encourages conductors to adopt as an all-embracing style. Daniel's reading has yet to achieve the ecstatic quality which turns a commendable performance into a great one. Even so, the gravitas and polyphonic splendour he brought to the closing pages could not have been bettered.

In *Tannhäuser*, Wagner wrestled with the duality of real and idealised worlds, freedom and convention, sensuality and purity, which he found so hard to reconcile in his own life. Instead of clarifying these themes for audiences encountering the work for the first time, Fielding indulges in the kind of stale modernism which denies the work's individuality.

Venusberg is a room full of dummy prostitutes; the statue of the Madonna resembles an erect penis; the knights, sporting storm-trooper outfits one moment and designer suits the next, are alternately aggressive and repressed; the star to which Wolfram sings so eloquently is a light bulb, and various other clichéd symbols swing down from the flies. The result is a Wagner parody. As is often the case in this type of production, however, Fielding soon runs out of ideas, and in the big ensembles of Acts 2 and 3, his cramped, sterile set forces him to concentrate on essentials.

Fielding's direction of singers could not be more conventional, and only Rita Cullis rises above her surroundings. Her Elisabeth is the picture of virtue, holding the stage with calm concentration and investing each phrase with dignity and feeling: an interpretation, like Rodney Blumer's elegant translation, worthy of a more sensitive production. Anne-Marie Owens is miscast as Venus. Dressed like a northern frump who tries and fails to look sexy, she never establishes the nature of Tannhäuser's temptation.

In the title role, Jeffrey Lawton sings and acts intelligently, and brings a vivid sense of expression to his Rome narration. Keith Latham is the dour Wolfram, while Clive Bayley makes his mark as a dashing Biterolf. Norman Bailey's Landgrave looks ridiculous and sounds frail, but somehow maintains his dignity. London audiences will be spared Fielding's production when Opera North brings *Tannhäuser* to the Royal Festival Hall for a concert performance on June 14.

Concert/Stephen Pettitt

On the 'Shine' bandwagon

On previous legs of David Helfgott's international tour foreign critics who have slated his piano playing have themselves been roundly criticised. The implication is that they have conspired to ruin what should be a fairytale coda to the story of the film *Shine*. In reality, having heard Helfgott myself on Monday, I can say that they were doing their job properly and bravely, in the face of some absurd hype propagated by marketing men fertilised by a gullible, ignorant, or cynical media.

For however good the film is, there is no excuse for presenting this still evidently disturbed man on the world's major concert hall platforms. The ears of those at this concert who know our music, our pianists, told us that Helfgott is no longer, if he ever was, a pianist of the front rank. He can scarcely satisfyingly shape a single phrase, let alone a whole movement. His tone is weak and thin. His pedalling technique is erratic. He does not voice his chords. His tempi and dynamics are inconsistent. Often, he does not even get the notes right. And when he does, as in a trio of flashy encores that included, inevitably, Rachmaninov's arrangement of "The Flight of the Bumble Bee", it is as though he is an eager schoolboy showing off. There seemed to be no solid musical purpose underlying anything he did. Even Beethoven's "Appassionata" Sonata was more obstacle race than musical odyssey.

The listener has to endure extra-musical noises too, for Helfgott adds to this already disturbing sound a ceaseless counterpoint of tuneless hummings and mutterings. In Liszt's Paganini Study "La Campanella", he would stop after shakily negotiating a passage, give a huge "Phew!" and take a deep breath before going on to the next section, as though he were completing consecutive levels of a computer game, pausing before he pressed the restart button.

The tragedy is that this is not his fault. But the professional concert platform is not a place to make allowances. People are paying good money – a lot of it, plus a scandalous £6 for a programme – to listen to music, not to witness a freak show. The Helfgott bandwagon is, no matter how inadvertently, a nasty, cruel phenomenon. It tells Helfgott himself that he is better than he really is. It lies to inexperienced audiences, happy to witness in the flesh the phenomenon beatified by the film, about what constitutes good piano playing.

But perhaps most unfairly of all, while elevating a sadly incompetent artist to the starry heights, it gives a message to those scores of pianists who are equipped with far superior techniques and far more mature musicianship but who lucklessly languish on the sidelines of the business, that artistic quality does not count for anything. Like Helfgott they won their prizes at their music colleges. Like him they played their daunting concertos. Like him they suffered the bitter let-down on realising that a college medal was no passport to fame and glory. They just happen to have no dramatic stories to tell of breakdowns or poverty. How should I know? Because I worked for 12 years at Helfgott's old college.

These concerts are trading on the popularity of the film. One hopes that Helfgott has been given his due share of the action. But one also hopes that this grotesque circus can be stopped before any more damage is done to its central attraction and to the art of music. Two more Helfgott recitals are apparently booked for the Festival Hall in June. The South Bank management should reconsider the bookings, on artistic grounds at the very least.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Nederlands Kamerorkest: with conductor Philippe Entremont and pianist Philippe Entremont in works by Beethoven; May 11-15

■ BARCELONA

EXHIBITION
Museu Picasso Tel: 34-3-3196310
● André Derain 1904-1912: display of 60 works by the French artist, concentrating on the years 1904-12, when Derain established a lasting friendship with Picasso, the two artists becoming major influences on each other's work; to Jun 29

■ BERLIN

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Der Fliegende Holländer: by Wagner. Conducted by Rafael Frühbeck de Burgos. Soloists include Matti Salminen and Wolfsgang Brendel; May 11

■ BONN

OPERA
Oper der Stadt Bonn Tel: 49-228-7281
● Nabucco: by Verdi. Conducted by Renato Palumbo, performed by the Orchester der Beethovenhalle Bonn and the Oper der Stadt Bonn; May 11

■ COLOGNE

EXHIBITION
Wallraf-Richartz-Museum Tel: 49-221-2212372
● Tiepolo und die Zeichenkunst Venedigs im 18. Jahrhundert: exhibition featuring drawings, sketches and designs by the Venetian artist Giovanni Battista Tiepolo (1696-1770), his sons and followers; ends on Sunday

■ COPENHAGEN

DANCE
Det Kongelige Teater – The Royal Theatre Tel: 45-33 69 69 69
● Swan Lake: *choreographed* by Peter Martins after Petipa and Ivanov to music by Tchaikovsky, performed by the Danish National Ballet; May 10

■ EDINBURGH

EXHIBITION
Scottish National Gallery of Modern Art Tel: 44-131-5568921
● Picasso: Works from the Collection and Works on Loan; including a rare early collage work and a number of books containing watercolour sketches; to Nov 9

■ FRANKFURT

CONCERT
Alte Oper Tel: 49-69-1340400
● London Symphony Orchestra: with conductor Sir Colin Davis and violinist Anne-Sophie Mutter in works by Beethoven and Brahms; May 11

■ GLASGOW

EXHIBITION
Hunterian Art Gallery Tel: 44-141-3305431
● The Age of Rembrandt: display of prints by Dutch and Flemish artists of the 17th century, selected from the Gallery's own extensive collection and including works by Rembrandt, Rubens, van Dyck, van Ruysdael and van Ostade; to May 10

■ LONDON

CONCERT
Queen Elizabeth Hall Tel: 44-171-9210600
● Piotr Anderszewski: the pianist performs works by Bach, Mozart and Bartók; May 11
Wigmore Hall Tel: 44-171-9352141
● Vogler Quartet: performs works by Schubert and Brahms; May 11
EXHIBITION
Design Museum Tel: 44-171-3786055
● Erotic Design: a major exhibition which explores the role of the erotic in all forms of design, including advertising, architecture, product, graphic, interior and fashion design; to Oct 12
THEATRE
Queen's Theatre Tel: 44-171-4945040
● Master Class: by McNally. Directed by Leonard Foglia, with Patti LuPone in the role of Maria Callas; to Jul 30

■ MADRID

EXHIBITION
Palacio de Velázquez Tel: 34-1-573-62-45
● En La Piel de Toro: display of works by Spanish and Portugese artists produced in the 1980s and 1990s; from May 8 to Sep 8

■ MILAN

CONCERT
Teatro alla Scala di Milano Tel: 39-2-88791
● Wiener Streichsextett: performs works by Brahms; May 11

■ MUNICH

EXHIBITION
Haus der Kunst Tel: 49-89-211270
● Michail Wrubel und der russische Jugendstil: first display of work by this key figure in Russian Symbolism to be held in the West; from May 8 to Jul 20

■ NEW YORK

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-8795500
● Cartier: 1900-1939: this exhibition traces the progression of styles from the opulent display of the turn of the century through the innovative geometries and exoticisms of the 1920s and '30s. Includes more than 200 examples of jewellery, clocks, watches, and boxes, as well as design drawings and recently discovered original plaster casts made from the finished jewels as a three-dimensional record; to Aug 3

■ PARIS

EXHIBITION
Musée d'Orsay Tel: 33-1 40 49 48 14
● Auguste Préault (1809-1879): Sculpteur Romantique: exhibition devoted to the work of the French sculptor Auguste Préault, whose bronze and stone sculptures show influences of Realism and Romanticism. Included are portrait sculptures, sculptures inspired by literature and other objects; to May 18
OPERA
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● Nabucco: by Verdi. Conducted by Maurizio Benini, performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Sergei Leiferkus, Daniel Galvez-Vallejo, Ferruccio Furlanetto and Violeta Urmana; May 10

THEATRE
Odéon – Théâtre de l Europe Tel: 33-1-44413636
● A Doll's House: by Ibsen. Directed by Deborah Warner and performed by the Théâtre National de Bretagne and the Odéon-Théâtre de l'Europe. Isabelle Huppert is Nora; to May 11

■ ROME

OPERA
Teatro dell' Opera di Roma Tel: 39-6-481601
● Der Fliegende Holländer: by Wagner. Conducted by Philippe Jordan. Soloists include Susan Anthony, José van Dam and James O'Neill; May 10

■ VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● Wiener Philharmoniker: with conductor Riccardo Muti in works by Haydn and Schubert; May 11

■ WASHINGTON

EXHIBITION
National Gallery of Art Tel: 1-202-7374215
● The Victorians: British Painting in the Reign of Queen Victoria (1837-1901): artists bore witness to the energies and tensions of Victorian life, depicting the changing social landscape; includes works by Whistler, Sargent, Leighton, Turner, Madox Brown, Rossetti and Holman Hunt; to May 11

Listing selected and edited by ArtBase The International Arts Database, Amsterdam, The Netherlands. **Tel: 31 20 664 6441. E-mail: artbase@pi.net**

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CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Edward Mortimer

The right to be heard

The new UK home secretary Jack Straw is not likely to fling open the gates to asylum-seekers but he can restore humanity and justice to the system

Dear Mr Straw,
Most liberals have greeted your arrival at the Home Office with a very restrained cheer.

Your task, in opposition, was to pre-empt any Tory accusations that Labour is soft on crime or immigration. So you took what sounded an authoritarian line on law and order, and you kept pretty quiet about the previous government's treatment of asylum-seekers. But I suspect you are more liberal than your critics think.

For instance, only two months ago you promised that a Labour government would repeal the 1996 Immigration and Asylum Act, grant more rights to immigrants who want to bring family members to join them, and abolish the "primary purpose" rule under which people wishing to join their spouses in the UK are subjected to intrusive and insulting questions about their marriage.

Ironically you were criticised for this by a Labour councillor in Wolverhampton belonging to an ethnic minority, Mr Mikinder Jaspal. He feared your pledge would play into the hands of Mr Nicholas Budgen, the then Tory MP for the area who was trying to make immigration an election issue.

Happily Mr Jaspal's fears proved unfounded. Mr Budgen, like so many of his colleagues, was swept away by last week's landslide. Who knows, your promises may even have won more votes than they lost.

But immigration was not a main issue in the campaign, and it would not have been in your interests to make it one. However beneficial immigration may be economically, no mainstream politician is going to say so, and no one is expecting a dramatic relaxation of immigration controls from the new government.

Moreover, once you have immigration controls you are obliged to make sure asylum does not become a loophole in them. And that means continuing to check rigorously on asylum-seekers' credentials.

But I hope you will not repeat the previous government's error of minimising the number of "genuine" refugees (forced migrants) and making out that all other asylum-seekers are "bogus" – that is voluntary migrants who allege a political motive to conceal an economic one.

Your predecessors, having accepted only 5 per cent of applications for refugee status, claimed publicly that all the rest were bogus – even though they granted another 15 per cent "exceptional leave to remain" and deported only about one-seventh of the remainder.

On the other side, voluntary agencies trying to help asylum-seekers tend to assume that most are genuine, and to stress how few there are altogether. But of course the need for tight controls has to be judged not by the number of people who do apply but by the number that *might* come if the controls were relaxed.

The awkward truth is many migrants are in a grey area: neither purely voluntary nor yet refugees in the strict sense of being persecuted for their political views or activities. Conditions in many countries are such that one cannot safely carry on normal activities, either political or economic. Also, some people who were not directly threatened before they left home might be in danger if sent back.

It is therefore likely that the potential number of genuine refugees, let alone bogus ones, is higher than any government could easily admit. That is why your predecessors, often in concert with EU colleagues, took measures aimed at preventing would-be asylum-seekers, however genuine, from getting here in the first place. These included draconian fines on airlines who bring in people without valid visas.

That is also why they arranged to return as many asylum-seekers as possible to so-called "safe third countries" without examining the substance of their claims. The latest and most iniquitous turn of that screw came in the 1996 Act which effectively removed the right of appeal against such decisions by ordaining it be exercised only after the appellant has left the UK. If the appeal turns out to be justified, it is too late to do anything about it.

Another form of prevention adopted by the previous government was deterrence: measures aimed at dissuading people from applying for asylum or persuading them to drop their applications before exhausting their legal rights. For example, Mr Peter Lilley, the former social security secretary removed the right to benefits from two groups:

- People appealing against an initial refusal of their application – although many of their appeals are eventually upheld.
- People who only applied for asylum after entering the UK – although many of their applications are eventually granted.

Deterrence must also be the real motive for detaining many asylum-seekers without trial or charge. Your predecessor Mr Michael Howard and his minister of state, Ms Ann Widdecombe, repeatedly claimed that such detention was "carefully targeted" at asylum-seekers whose applications had been rejected, to ensure they did not abscond before being deported.

But research by Amnesty International has shown that 82 per cent of the people so detained are arrested when they apply for asylum, and that over half are later released, though only after many months. As Amnesty says, it is hard not to conclude that the systematic use of detention "stems from an assumption on the part of the government that such arbitrary and prolonged detention may act as a deterrent to would-be asylum-seekers".

This is a grave abuse of human rights, especially as detention is not subject to any independent judicial review or right of appeal. Detainees are eligible for bail, but there is no presumption that bail should be granted. Often it is refused or thousands of pounds are demanded as surety from people who can hardly be expected to have wealthy friends in the UK.

Regrettably, deterrence seems to work. At least it is one explanation for the drop in the number of asylum applications from 44,000 in 1995 to 28,000 last year.

Obviously, you are not going to fling open the gates. But you can and should restore a minimum of humanity and justice to the system. At least you must restore state benefits to asylum-seekers in genuine need, and carry out an urgent but thorough and open-minded review of the detention system.

In discussions with European colleagues, you should press for a system allowing each asylum-seeker's application to be heard in the country of their choice, with the decision being final and valid for the EU as a whole. If that turns out to mean an increase in the number coming to the UK, it should make us more receptive to the German case for sharing the financial burden.

Finally, you must be prepared to steer refugees towards areas where they will be most welcome. You have the power to make grants to local authorities for this purpose, under Section 11 of the Local Government Act 1966.

Some may say such interventionism smacks of Old Labour. But let's face it, immigration controls, strongly favoured by the right, are in themselves a drastic limitation of individual choice. This is one area where all parties are interventionist. A Labour government should at least be more courageously and consistently so than the Conservative one has been.

Yours sincerely,
Edward Mortimer

Protest: Straw has pledged more rights for immigrants

The last tycoon

Warren Buffett's investors are different, says Tracy Corrigan. They are richer

Buffett-mania reached new heights at the annual meeting of Berkshire Hathaway in Omaha, Nebraska this week. Mr Warren Buffett, the company's chairman and America's most successful investor, has become a popular hero for middle America.

After pitching the ceremonial first ball at Saturday night's Omaha Royals baseball game to rapturous cheers, Mr Buffett sat for two hours signing autographs, shaking hands and having his picture taken with admirers. When he called it a night, they were still queueing.

The next day it started again at Borsheim's, Berkshire's jewellery store. After a few more hours at Gorat's steakhouse on Sunday, Mr Buffett, like many a diva before him, had lost his voice. It was still shaky on Monday when he opened the shareholders' meeting to a standing ovation from the 7,000-strong crowd.

Old-timers said the queues were a new phenomenon which they attributed to last year's offering of cheaper B shares. For many new shareholders, the meeting was their first opportunity to meet their idol.

One middle-aged man stood up and thanked "Uncle Warren and Uncle Charlie" (Mr Buffett's partner Mr Charlie Munger) for financing his daughter's education. Many other shareholders felt compelled to share their experiences. Mr Buffett's quip about a revival meeting had a ring of truth.

The root of his followers' loyalty is partly financial. Mr Buffett said on Monday that 80 per cent of A-shareholders had bought their shares 20 years ago when they were worth less than \$100 each. They are now trading at \$39,000. Yet the majority of early investors have held on to their shares – even after Mr Buffett suggested last year that they were overvalued.

Mr Buffett remains keen to play down expectations of future performance. He told investors on Monday it would be difficult in future to achieve returns of 15 per cent, the company's declared target, since it would be hard to come by investment opportunities of the calibre of Coca-Cola and Gillette – described by Mr Buffett as "the Inevitables".

The problem for Mr Buffett is no one believes him. For one thing, his modest style has become part of his persona: he owns up to mistakes and makes frequent self-deprecating asides. He warned Monday's audience that "at one time or another, I've said everything I know and a good deal more".

This is part of his charm. Despite having built a multi-billion dollar fortune from scratch, Mr Buffett remains a down-to-earth mid-westerner.

The other reason for investors' scepticism about his warnings is that they have heard it all before. Mr Buffett has been trying to dampen expectations for more than 30 years – as Roger Lowenstein recalls in his biography.

In 1964 he told investors in the partnership which predated Berkshire Hathaway: "I believe our margin over the Dow cannot be maintained." That year the return for investors was 27.8 per cent, compared with the Dow's 18.7 per cent.

The next year he said: "We do not consider it possible on an extended basis to maintain the 16.6 percentage point advantage over the Dow." The partnership returned 47.2 per cent that year, beating the Dow by 33 percentage points. "Such results should be regarded as decidedly abnormal," he declared in 1966.

> One middle-aged man stood up and thanked 'Uncle Warren and Uncle Charlie' for financing his daughter's education

In 1969, he even wound up the partnership, wary of jeopardising profits.

Mr Buffett's modesty is in conflict not only with his results, but also with his investment strategy. While other investors try to balance portfolios and hedge risk, Mr Buffett makes money by making long-term investments in a small number of shares.

He has eschewed technology companies, the biggest winners of recent years, admitting "there is a very large number of companies that we don't know how to value".

But then he sets a high standard on knowing companies. "My idea of understanding (a company) is having a pretty good idea of where they are going to be in 10 years," he said on Monday.

Still, a bad year for Mr Buffett, in absolute if not in relative terms, must surely come. In stockmarket terms, he has just had one. The Berkshire share price rose just 6 per cent in 1996, substantially underperforming the market.

Mr Buffett was pleased: the book value of Berkshire Hathaway's investments rose 31 per cent – making the shares look better value for money. Shareholders appeared unfazed, after years of hearing his investment philosophy which stresses the long-term view.

Mr Buffett believes his shareholders are different – and he is right. They are more committed, more knowledgeable and probably richer than most individual investors.

"Have you been a shareholder for long?" I asked a man from California as we settled down to listen to Warren's words of wisdom. "No, not long," he said. He paused, then added: "About 10 years."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Tory Eurosceptics erred in not seeing Europe emulating UK

From Dr Paul Jowett.

Sir, In the aftermath of the Eurosceptic-dominated Tory election debacle, we are left to reconsider the future Conservative approach towards Europe. The stakes for the Tories have changed, after all. They no longer have power, only influence.

While in power, the Eurosceptics of the Tory party viewed Europe as exhibiting the symptoms of the old "British disease", namely inflexible labour markets, high wages, powerful unions, and bloated public spending. The Eurosceptics shunned further integration with Europe because they feared that the strides made in the UK would be undone by regressive influences in continental Europe.

The crucial mistake the Tories made in diagnosing Europe in this way was that they ignored the fact that the trend in Europe is following UK experience, and not counteracting it. The Europeans may be late starters and the pace may be slow, but the philosophy of Thatcherism has largely been accepted in continental Europe, even if in somewhat diluted form. The German economy will see large-scale privatisations, increased flexibility in the labour markets, and downward pressures on labour costs. In addition, the Maastricht conditions are forcing further cuts in public spending. While many people in continental Europe may think Thatcher overdid it in the UK, few now question the overall direction she took.

The danger with the Labour victory in the UK is that British influence in Europe will negate the achievements of the last 18 years, and discourage continental Europe from pursuing similar lines of action. New Labour looks unlikely to reverse the Thatcherite experience at home, but it may propagate abhorrence of it abroad (particularly under foreign secretary Robin Cook).

Under these circumstances, the Tories need to adopt a longer-term view on Europe. They should work to preserve the heritage of what has been achieved in the UK, and to ensure that it is mimicked in continental Europe. Confined as they are now to impotent opposition within the UK, their most valuable contribution could be to ditch their Eurosceptic stance and fight for reform in continental Europe.

Paul Jowett,
partner and office managing director,
LEK Unternehmensberatung,
Possartstrasse 22,
81679 Munich, Germany

Very like attempted industrial suicide

From Sir Peter Smithers.

Sir, It is splendid news that the party which you supported in the general election, now the government, is to adhere to the European social charter. But splendid news for whom? Certainly for member governments on the continent of Europe whose high labour costs have produced unemployment rates double and treble those in Britain. They have long complained that lower British labour costs were "unfair". It is good news for those British workers who manage to retain their jobs after the rise in unemployment resulting from the loss of Britain's "unfair" competitive edge. It will be less good news for those thrown out of work, and for the British people at large who will have to pay for their support.

In the longer run it will be excellent news for Asia, Latin America and Africa. As a high-cost and protectionist Europe loses its competitive edge and therefore its markets, there will be a transfer of wealth from Europe to the developing world. The US, which follows policies similar to those of the UK since the Thatcher reforms, will remain highly competitive and so will also be a principal beneficiary.

I feel that Adam Smith might have had something to say about all this. To me it looks very like attempted industrial suicide.

Peter Smithers,
In Di Pradon 19,
6921-Vico Mortcote,
Switzerland

Private sector not relevant for the poorest

From Mr Jon Lane.

Sir, Leyla Boulton's article ("Powerful currents", April 29) raises important issues concerning private sector involvement in water and sanitation worldwide. However, it misses one vital point: the billion people who lack access to clean water do not live in the middle-income countries in which the private companies have started work.

Most of them live in the slums and villages of the world's poorest countries. In those countries, water and sanitation is, and will continue to be, provided mainly by government agencies and by the voluntary sector.

When the world economic order allows the poorest nations the prosperity to become customers for the private sector, we development workers will rejoice.

Jon Lane,
director,
WaterAid,
Prince Consort House,
27-29 Albert Embankment,
London SE1 7UB, UK

Companies in UK just catching up

From Mr Dieter Niederstadt.

Sir, I am astonished by the admirable skills of your education correspondent in somehow seeming to know how to keep the British public motivated.

Or is there any other explanation for what the article about Britain's position on staff training within the EU is trying to suggest ("Companies rise in EU training league", May 1).

Having experienced the training in both the UK and Germany for some years, I find only one explanation which comes to mind about the UK being a leader in Europe in staff training.

This is that Britain probably needs to be in that position in order just to catch up with its continental European counterparts.

Dieter Niederstadt,
12 Caledonian Court,
West Street,
Watford WD1 3TF,
UK

In the dark on policy

From Mr Dick Olliver.

Sir, Alexander Rowland (Letters, April 30) may have misled readers about the French TV programme on Tony Blair. It was a bland documentary of his career showing him as a friendly, committed person.

During a mission to Paris he certainly volunteered that he liked France and the French, having worked there when young (as a barman), and, briefly, that he favoured co-operation in Europe.

Sensibly, he left us in the dark about attitudes towards integration and the single currency – or any other matters of policy.

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Wednesday May 7 1997

Chancellor's Bank credit

Mr Gordon Brown's decision to give the Bank of England operational autonomy may have been unexpected. But it is welcome. It should have been taken by the Tories. Labour's new chancellor of the exchequer is to be congratulated for taking it himself instead.

As encouragingly, the decision suggests that the government is prepared to be more radical than its cautious election campaign indicated. Some may quibble that it was hardly spelled out in the manifesto. Mr Brown can answer that Labour promised to "reform the Bank to ensure that decision-making is more effective, open, accountable and free from short-term political manipulation". He has now done so.

Since a depressingly large number of British economists believes that debauching the currency is the key to economic nirvana, this plan will inevitably attract criticism. Some will complain that the country will lose the seamless co-ordination between monetary and fiscal policies that it could have enjoyed in theory and virtually never experienced in practice. Others will moan about the Bank of England's inflation obsession.

Mr Brown must ignore such carping. The reasons for making this change are compelling. First, politicians have been responsible for egregious manipulation of monetary policy for electoral reasons. Second, the voters appear finally to have become deeply suspicious of politicians offering them booms.

Third, the chancellor is more likely to follow a sensible fiscal policy if he has good reason to expect monetary policy will not accommodate it than if he can make it do so. He also knows that tighter fiscal policy will normally lead to a loosening of monetary policy by the Bank, and vice versa. Fourth, the Bank of England's publicly known forecasting record compares well with that of most other institutions. Last and most important, it is quite clear that higher inflation will not bring enduring gains in output.

Almost everywhere, except the UK, professional economists now agree that monetary policy should aim at stabilising inflation in the medium to long term. Once that decision has been reached, operational independence for the central bank within transparent and accountable procedures is the obvious solution. It will, not least, reduce the insurance premium lenders demand from policymakers they fear will cheat them. In response to this news and the rise in base rate, the yield gap between 10-year gilts and bunds yesterday declined by a fifth.

The decision is correct. But concerns remain. One is accountability. Under this regime a committee will be responsible for achieving a government target. Should it fail – or act unreasonably – how will such a body be held responsible? It would have been better to have made the governor personally responsible, given him a first-rate advisory committee, and sacked him if he failed.

In a country that prizes parliamentary accountability, members of the monetary policy committee must regularly explain what they are doing to members of the house of commons. The Bank, too, will need to think hard about how to convey its message. At present, it is still viewed as the spokesman for the City – an image it must lose if its tougher decisions are to be accepted.

A second concern is over the inflation target. At present it is for inflation of 2½ per cent or less. This gives the impression it does not matter how much inflation falls below 2½ per cent, provided it does not end up above it. It would be better to state the target as 2½ per cent in the medium term.

The chancellor's decision is certainly not a step towards economic and monetary union, which would require separate legislation. But it does offer a sensible alternative to Emu. There is no reason why, under this regime, monetary stability in the UK should not match that in the rest of Europe, with economic performance also at least as good. For giving the country this possibility, Mr Brown deserves much credit.

In the Cannes

The 50th Cannes Film Festival which opens tonight will be the occasion for some justified celebration in Europe's film industry.

A new generation of film-makers has shaken off the assumption that critical and commercial success are incompatible. Last year's hits, such as Scotland's *Trainspotting* and Germany's *Werner*, were followed by the Oscar triumph of *The English Patient*, directed by the Briton Anthony Minghella. Meanwhile, European companies, led by PolyGram and Gaumont, have increased investment in film production.

Europe's film industry has enjoyed box office hits and Oscar glory before, only to limp back from Hollywood after a couple of expensive flops. This time its resurgence promises to be more enduring, not least because, after decades of cinema closures, hundreds of multiplexes are being built across the continent and admissions are rising. If the European industry is to benefit from its improving fortunes, it needs political support to match that which Hollywood has long enjoyed. The old mixture of subsidies and cultural chauvinism is clearly not the way forward – as was shown by the failure of half Germany's state-subsidised films to secure cinema distribution. But stronger backing from the European Commission to ensure fair play in international trade negotiations would be a help. If Europe's film-makers can at last make competitive products, they are entitled to the assurance that markets will be as open to them as possible.

US immigration

During his trip this week to Latin America and the Caribbean, President Bill Clinton will have the chance to come to terms with the flip side of legislation he signed into law last year aimed at curbing immigration into the US.

That legislation – the Illegal Immigration Reform and Immigrant Responsibility Act – makes it easier to deport immigrants without documents, extends the list of crimes that lead to deportation, and makes it harder for long-standing residents to avoid deportation.

The law, which has the potential to return tens of thousands of immigrants to the country of their birth, has generated great disquiet among the governments of Mexico, Central America and the Caribbean.

For these countries, the law has large economic and social implications. Not least, it threatens a significant fall in remittances from the US, one of the most important sources of foreign exchange.

It thus threatens to damage US policy objectives in the region, such as consolidating peace in El Salvador, Guatemala and Nicaragua.

For that reason alone, the law should be interpreted liberally by the authorities. For example, those refugees from central American conflicts who were granted temporary protected status in the US should not be deported simply because peace accords have now been signed.

There is a deeper point, however. The immigration act and last year's welfare act, which reduced immigrants' access to welfare payments, represent a significant change in historical US attitudes to immigration, the foundation stone of US economic success.

Immigration has helped the US authorities to prolong the current economic expansion at a time of near full employment. Slowing the influx of immigrants considerably will make that objective more difficult to achieve. Immigration has also been critical to the lifestyle decisions of many Americans, for example, by providing nannies and servants which allow both partners in middle-class families to work.

The political reaction against immigrants in the US thus conflicts in important ways with the US's own interests. If America's shores are no longer to be so open to the world's poor, it needs a policy towards guest-workers that is fairer to them and works better for the US economy.

The FT Interview • Gordon Brown

Sprint to launch a marathon

The new chancellor tells the FT that his early move to give the Bank of England its independence is part of a long-term strategy

Office becomes the new chancellor. After a six-week general election campaign and four relentless days in the Treasury, Mr Gordon Brown could be forgiven for looking a little frayed at the edges. Instead as he greeted us in the the chancellor's grand office overlooking Whitehall, Mr Brown was looking relaxed and refreshed. Thus far at least, the burdens of office have apparently been more easily carried than the frustrations of opposition.

A few moments earlier Mr Brown had shown his determination to hit the ground running by announcing the most radical shake-up in the operation of Britain's monetary policy since sterling's departure from the European exchange rate mechanism in 1992. On some counts it is the most significant since the war. A restructured Bank of England will henceforth have de facto control over interest rates. Yesterday's performance of the Gordon and Eddie show, which saw Mr Brown take the Bank's advice to raise rates by 0.25 points, was the first and last of this administration.

There is a hint too that, as with monetary policy, so with Mr Brown's first Budget. That Budget, scheduled either for June 10 or for early July – international meetings rule out the dates in between – will have as its centrepiece a windfall tax on the privatised utilities to finance a new welfare-to-work programme for young people. But Mr Brown leaves the impression it may have a wider reforming sweep. In the meantime, we can expect to hear more "very soon" of his plans for a fundamental review of all Whitehall spending.

Fergus Wilkie

Those, however, hoping the government's pro-European stance would lead it to consider putting sterling in the vanguard of economic and monetary union (Emu) will be disappointed. This brand of operational independence for the Bank is not sufficient to meet the criteria laid down by the Maastricht treaty. To emphasise the point, Mr Brown reminds us that "I have also said during the election campaign, and this is repeated by the prime minister, that I believe it is highly unlikely that we will join Emu at the first date in 1999."

The chancellor explains first, though, why he decided to move so quickly on putting in place the new framework for monetary policy – Mr Eddie George, the Bank governor, learned of the timetable only 24 hours earlier. He was convinced the existing arrangements were unstable and his starting-point was a "determination that we set in place something that will both last for the long term and will give a long-term, stable foundation for monetary policy. I believe that by acting in this way people would be in no doubt about my determination to create a modern framework that could command confidence and credibility."

The words "long term" recur again and again in the conversation, almost as if Mr Brown is exorcising the ghosts of the past. After previous victories, Labour governments have tended to start by courting short-term popularity, only to be forced into corrective action later on. New Labour will not make that mistake. Thus the chancellor adds: "One of the most important things that will define this government is its determination to pursue a long-term policy."

As for springing the whole thing on the governor on a holiday Monday, the essential thrust of the policy had been discussed while Labour was in opposition. "I make the point to you as I made to him: that once we had decided it was right in principle to go ahead, it was right to implement it as quickly as possible."

Labour's election manifesto had seemed to suggest this momentous change in the conduct of economic policy was on a fairly distant horizon. The issue, after all, was barely mentioned during the campaign. Mr Brown has no qualms about moving faster: "We set down the principle in our manifesto. The fact that I had I think 45 press conferences and nobody asked me any questions about that particular point is hardly something I can be blamed for."

There is a question, though, of accountability, particularly to parliament – as it happens the chancellor just a few moments earlier had been talking to the Speaker of the House of Commons. Mr Brown had announced that the governor and a newly appointed deputy in charge of monetary policy would have to report regularly to MPs via the Treasury Committee.

But what would happen if the Bank's new monetary policy committee consistently got it wrong and set interest rates either too high or too low to meet the government's inflation target? One could imagine, for example, the Bank consistently erring on the side of caution.

Mr Brown says the government retains a national interest power, which can be used in extreme circumstances. But beyond that, the outside members of the monetary policy committee will be appointed for three years. "That does allow you to evaluate the performance of the committee and you can can make new plans, of course."

The committee's deliberations will also be open, with published minutes, and it will therefore "come under public scrutiny". The chancellor is keen to stress his proposed changes to the Court of Directors will open the Bank to a wider range of influences. Members of the monetary policy committee other than the governor and his deputy might also be called before the Treasury Committee. And Mr Brown intends to write to the chairman of that committee to discuss other ways of "enhancing accountability".

He could also review the inflation target. At present, the Bank is aiming for annual price rises of 2.5 per cent or less, but it is open to Mr Brown to elaborate on that goal, perhaps by indicating a floor as well as the ceiling. The chancellor is clear, in any event, he retains that right: "I will set the inflation target. The target will be confirmed in every Budget, but it will be my target."

Another option when he comes to legislate for the new arrangements will be to put in place a more formal assessment procedure to measure the Bank's performance in meeting the target.

Mr Brown, though one of the most pro-European members of Mr Blair's cabinet, is clear the changes are not a short-cut to participation in a single currency. Any such decision would require legislation beyond that now proposed. "Therefore it is not the case that, by passing this legislation, parliament is denying itself scrutiny of any further decision in relation to the Bank of England if a decision is made about Emu."

Structural reforms, however, will not stop with the Bank. Debt management operations are to be transferred to the Treasury and the chancellor is to press ahead with plans for a US-style council of economic advisers. His aim is to increase the expertise available to the government of the day across the "whole range of economic policy". Like the changes at the Bank, such a council will promote greater openness.

So will chancellor Brown be as radical in his approach to Budgets? The answer seems to be yes. In monetary policy, he is setting in place a long-term framework: "I think everything I do, including decisions I make in future Budgets, must be seen in the context of the long term as well."

As for his first Budget in a few weeks: "Its role is to equip this country for the future and to begin the task of modernising the welfare state." Mr Brown says its scope will not extend as far as that of the traditional November package. But neither does it sound much like the limited series of measures suggested by some close to the prime minister.

Understandably enough, Mr Brown will not comment directly on the fiscal position – the famous books – inherited from the last government. Many in the City and elsewhere suggest they point to the need for some increase in taxes. There we shall have to wait and see. But it is clear the chancellor's ambitions for welfare reform go well beyond the immediate measures proposed for the young unemployed.

He says: "The present welfare state is in need of radical reform ... I want to rebuild it around what I have sometimes called the work ethic." That means encouraging work incentives as well as new education and employment opportunities. Even now, Treasury officials are looking afresh at the possibilities of closer integration between tax and benefits.

On public spending the message is as tough as it was before the election. There is nothing in Labour's programme which requires additional taxation beyond the windfall tax. And cabinet colleagues hoping for a loosening of the reins will be disappointed: there is to be no public spending round this summer. By contrast, the fundamental review of spending priorities will "commence almost immediately and more will be said very, very soon". That suggests it will be near the top of the agenda when the cabinet first meets tomorrow.

The interview draws to a close with Mr Brown joking about how much more fun it is to take decisions than it is to talk about them. After 40 minutes or so, it is apparent he has plans for the Treasury which look far beyond its traditional role as keeper of the public purse.

The chancellor has handed control of monetary policy to the Bank, but his ambitions elsewhere are likely to see the Treasury regain the influence it last enjoyed in the mid-1980s under the then Mr Nigel Lawson. The chancellor, closer than any in the cabinet to Mr Blair, has seen key allies appointed at the Department of Trade and Industry and at Social Security.

Mr Brown thrives on hard work. As one of his officials remarked ruefully yesterday morning: "We are not expecting a quiet life."

Interview by Richard Lambert, Philip Stephens, Robert Peston and Martin Wolf

• OBSERVER •

Blair's boys in Brussels

■ Prime Minister Tony Blair faces an early test of British influence in Brussels with David Williamson's confirmation that he's stepping down as secretary-general of the European Commission.

Despite Labour's charm offensive in Brussels this week, insiders say there's no chance of Britain keeping the Commission's top office.

Williamson, a Whitehall high-flier and former adviser to Margaret Thatcher, is 63 this week. He's occupied the top eurocrat post for 10 years.

The front runner to succeed him is his deputy Carlo Trojan, a half-Dutch, half-Italian Mr Fixit who played a key role in the backstage diplomacy surrounding German unification.

But it won't be plain sailing because big countries like France are notoriously reluctant when it comes to handing out the best jobs to small countries. Germany has also expressed interest in the post, though it already has Jürgen Trumpf slotted in as secretary-general of the European Council.

Williamson's departure leaves the new Labour government with the task of ensuring that Britain at least receives adequate compensation if it loses the top post to a non-Brit.

The search to secure a director-general posting for a Downing Street candidate won't be easy; trade and competition have gone to Germans and the French have their talons into agriculture.

If Trojan does get Williamson's job, the Dutch will have to give up one of their "flags", perhaps at environment. But Blair should ask for more, if only to reward long-serving British civil servants at the Commission such as Philip Lowe or Sue Binns, both of whom have served Labour-appointed Commissioners.

Upwardly mobile

■ The use of "Highness" as a form of address has taken on special meaning in Spain. Physical stature may have been one of the characteristics to have helped King Juan Carlos consolidate the country's restored monarchy during his 21 years on the throne. But, at 1.90 metres – just under 6ft 3ins – he can't measure up to the lofty new crop of male royals.

The latest addition is Iñaki Urdangarin, an international handball player whose engagement to the king's second daughter the Infanta Doña Cristina has just been announced. He fits the trend, with a height of 1.96m.

That's much the same size bracket as Jaime de Marichalar, the banker who married the elder daughter Doña Elena two years ago to become the Duke of Lugo, and the king's son and heir Prince Felipe. At least it should make it easier to line up the family photographs.

Sky high

■ Unruly behaviour is bad enough on the street but it can be downright terrifying at 35,000ft. Especially when the punch-up is on the flight deck.

Turkish Airlines announced this week that it had sacked two pilots who fell out on a flight between Bangkok and Istanbul last month. With 240 passengers in the rear of their Airbus 340, the two started a blazing row over altitude instructions given after take-off from Bangkok. By the time the seatbelts came off, other crew members moved in to to separate them, a more junior pilot taking the controls.

News of the cockpit scrap follows in the flight-path of last week's calls from the US Association of Professional Flight Attendants for action to stop rowdy passenger behaviour. A conference in Washington heard hair-raising stories about doors opened during flights and punch-ups provoked by depleted drinks trolleys.

Randolph Babbitt, president of the US Air Line Pilots Association said operators had "to let people know that violent, disruptive behaviour on board aircraft isn't going to be dismissed or taken lightly".

One idea put forward was the provision of airborne "sin-bins", where disagreeable passengers could be shut away before facing the courts. But the most draconian proposal to emerge involved deducting frequent-flier points for bad behaviour. That should bring them down to earth.

Good time

■ Warren Buffett, America's most famous and most successful investor, still leads a simple life in his native Omaha, Nebraska. Asked by a shareholder to describe his average working day, Buffett declared defiantly that there are "no meetings, no committees and no slide shows".

Instead, he said, he spends some time on the phone and a lot of time reading annual reports and business publications. "I enjoy it, so I make it last, like some other activities in life," said the blunt midwesterner.

The Financial Times

100 years ago

Italy's Financial Renaissance
It must be evident to all careful students of finance that the vigorous efforts which have been made in the last year or two to bring about an improvement in the finances of Italy are at length beginning to bear fruit. This is indicated by the diminished deficits which, notwithstanding the heavy expenses of the recent African campaign, the Finance Ministers have been able to show; but to those who, not without some reason, distrust Budget statements, a still more convincing proof is offered by the decrease of the Gold Premium.

50 years ago

Chaotic Transport In Germany
A frequent complaint heard among manufacturers is that coal transports arrive irregularly and that they are often substantially smaller than the amounts which had been promised. This irregularity must be attributed to the transport situation, which cannot be described as otherwise than chaotic. The amount of rolling stock in usable condition is only a fraction of pre-war. Permanent ways are in a state of utter disrepair.

FINANCIAL TIMES
Wednesday May 7 1997

UK will hold talks to resolve the ownership of Nazi gold

Deposits may have come from Holocaust victims

By Norma Cohen

Britain is to host an international conference to help resolve the ownership of Nazi gold seized by the Allies after the Second World War.

Mr Robin Cook, Britain's new foreign secretary, announced yesterday that the conference would take place before the end of this year – a strong signal of the high priority he places on the issue.

His announcement coincided with the publication of a 60-page report in which the UK Foreign Office conceded for the first time that some of the Nazi gold lying in Bank of England vaults may have come from concentration camp victims.

Mr Cook said: "This strengthens the case for looking imaginatively for ways of compensating the victims or their direct descendants." The Foreign Office said that the conference would be open to 10 countries which claim ownership of the gold, as well as the US, France and UK, which were signatories to a post-war agreement setting up the Tripartite Gold Commission.

This body was charged with returning gold to those countries whose treasuries were looted by the Nazis. Switzerland, which also received large amounts from the Nazis, will also be invited to participate.

The US and France have already signalled that they are prepared to consider distributing some of the remaining gold to Nazi victims. Today the US is expected to release a 200-page report on what became of Nazi gold during and after the war.

The Bank of England holds £24m ($38m) of gold, the residue of the total seized by the Allies in occupied Germany after the second world war.

The US Federal Reserve, the central bank, holds a further £13.5m of gold. The two gold deposits are all that remains of gold seized by the Allies, which at today's prices would have been worth $4.18bn.

Controversy surrounds the way the Allied powers defined the seized gold. "Monetary gold" was that which could be proven to have been stolen from central banks in Nazi-occupied countries. "Non-monetary" gold was seized from individual Nazi victims.

Jewish groups have for years insisted that some of the monetary gold was probably that systematically looted from dead concentration camp inmates and other Holocaust victims.

The TGC, an international body formed after the war by the UK, US and France, had divided the gold between claimant countries, taking the view that all of it was monetary gold.

However, the Foreign Office report released yesterday – based on research in government archives – makes it clear that some personal gold may have crept into the total because TGC member governments disagreed about how to distinguish between monetary and non-monetary gold.

Chancellor surrenders rate control

Continued from Page 1

determined by a nine-member monetary policy committee at the Bank. Members will include the existing governor and deputy governor, plus a new deputy governor to be appointed once independence is enshrined in legislation. Two of the Bank's executive directors will also be on the committee to begin with, plus four outside experts to be appointed in the next few weeks.

Minutes of the committee's monthly meetings, and formal votes, will be published after a six-week lag.

The Bank will also continue to publish its quarterly inflation report.

In order the enhance the committee's accountability, Mr Brown also plans to broaden the membership of the Bank's Court (or governing body) and he will require the Bank to defend its actions more frequently before the Treasury select committee of MPs.

Workers halt auction of Brazil iron ore company

By Geoff Dyer
in Rio de Janeiro

The on-off privatisation of the world's largest iron ore producer got briefly under way in Brazil yesterday – only for the auction of shares to be suspended after a group of the company's employees won an injunction against the sale while bidding was taking place.

Amid shouting and pushing, representatives of the employee group from Companhia Vale do Rio Doce broke through a scrum of brokers and television cameramen to present the injunction to the auctioneer, 15 minutes after bidding began.

Mr Sergio Berardi, superintendent of the Rio de Janeiro stock exchange, where the auction was taking place, suspended the sale while officials examined the injunction. The Brazilian government was working yesterday to overturn it, and allow the auction to resume. Chaotic scenes on the stock exchange floor were further embarrassment to the government, which had already delayed the auction by a week because of legal challenges.

The auction forms the first part of Latin America's biggest privatisation, which is expected to raise more than $5bn.

Mr Marcelo Cequeira, a lawyer associated with the employee group, said the injunction detailed several illegalities in the privatisation process. Four other suits against the sale had been filed yesterday.

Lawyers for the National Development Bank, which is organising the privatisation, were expected to appeal immediately against the injunction, awarded by a Rio de Janeiro court.

Two consortia were involved in the bidding for up to a 45 per cent stake of voting shares, one led by Brazilian steel maker Companhia Siderúrgica Nacional, the other jointly led by Anglo American, South Africa's largest company, and Grupo Votorantim, the Brazilian family group.

The auction had reached R$30.2 per share before it was suspended, a 13.23 per cent premium to the minimum price of R$26.67, which values the stake at R$3bn ($3.1bn).

The privatisation has prompted an unprecedented legal campaign by its opponents, with more than 120 legal challenges filed around the country.

There has been a vigorous debate in Brazil about whether judges in low-level courts should be able to decide upon cases concerning important parts of government policy.

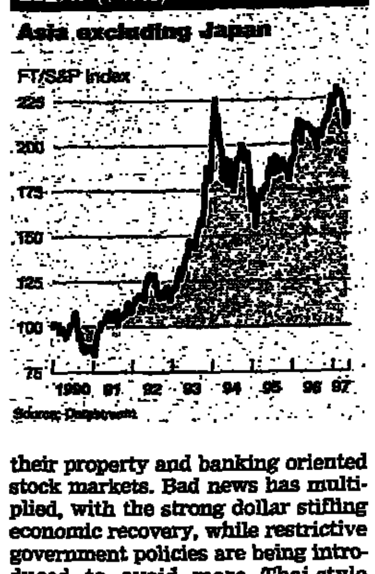
On Monday night a judge in one of the country's highest courts, the Supreme Tribunal of Justice, threw out 23 injunctions awarded against the sale last week.

Government lawyers had yesterday to overturn three more injunctions, awarded on Monday, before the auction could get under way.

THE LEX COLUMN

Down on the Street

FTSE Eurotrack 200:
2327.7 (+47.5)



After a record year for Wall Street in 1996, things can only get worse. The favourable markets which powered US investment banking profits in the last two years have shown signs of wavering, the strength of the last few days notwithstanding. And it may not take a bear market to hit this year's earnings. For one thing, quarter-on-quarter earnings comparisons could be brutal. April's volatile markets may have hit trading and have held back lucrative initial public offerings. Yet second quarter performance will have to stack up against a golden period a year ago.

Worse still, competitive pressures are mounting. Every firm on Wall Street is recruiting as US commercial banks, brokerages and European banks vie to become global powerhouses by fleshing out their coverage. This is rational. Many firms are building up equity underwriting – more profitable than bonds. But inevitably, there will be more losers than winners.

Some investors may get bailed out by a pick-up in the pace of consolidation, following the mergers of Morgan Stanley/Dean Witter and Bankers Trust/Alex. Brown. However, the ability to throw cash at expansion will fade fast if markets turn down, and firms may find that some supposedly variable costs are looking worryingly fixed – guaranteed bonuses, for example. Already, Wall Street is showing signs of being overbroked, such as slipping margins on syndicated loans. In harder times, deals will be driven by weakness rather than strength.

Asian equities

There is much debate about the status of Asia's economic miracle, but the performance of the region's stock markets has been unequivocal and unmiraculous. In only two years since 1990 have Asia's developed markets (excluding Japan) or its emerging markets outperformed the US in dollar terms. And the only vintage year for emerging markets was 1993. There are exceptions to the rule, but fast-track Asian growth while the miracle was in full bloom has not translated into stock market earnings growth and ratings. And the concept of shareholder value has remained alien.

This year has got off to a particularly bad start. Economies are suffering from last year's slump in export growth, while the property glut in Thailand, the Philippines and Malaysia has taken its toll on their property and banking oriented stock markets. Bad news has multiplied, with the strong dollar stifling economic recovery, while restrictive government policies are being introduced to avoid more Thai-style bank collapses.

At least the end is in sight. The Asian Development Bank predicts a pick-up in export growth rates this year. And the structural changes in banking regulation will clearly benefit Asian economies in the long run. But in the meantime, a painful period of adjustment will keep stock markets subdued. Hong Kong continues to offer value, and markets like India and Indonesia look relatively attractive. But Latin America still looks a better bet for the moment.

Bank of England

Who says markets do not like surprises? Gilts and equities greeted the decision to give the Bank of England freedom to set interest rates with a well-deserved roar of approval. The model being proposed by Mr Gordon Brown, the new chancellor, is not quite independence on the lines of the Bundesbank. The government will continue to set an overall inflation target; and four of the nine members of the Bank's decision-making monetary policy committee will be political appointees. But it is a great deal better than anything the Conservatives were prepared to implement.

For investors this looks like unequivocally good news. From Germany to New Zealand, the evidence shows that central banks free of political interference produce lower inflation and greater economic stability. For Mr Brown this is a neat short cut to establishing credibility with the markets while retaining some arms-length influence. And for the Labour government it is a way of demonstrating pro-European credentials without risk of a backlash at home.

The UK is still unlikely to join the first wave of any European economic and monetary union. But given that the anti-inflation record of the new European central bank will be neither better nor worse than that of the Bank of England, the 145-basis point premium of gilts over bunds looks tricky to explain. But remember, this fundamental policy change did not even merit a mention in Labour's election manifesto. Who knows what other surprises Mr Brown may have in store.

UK interest rates

Mr Brown's second decision, to add a quarter of a point to base rates, was rather lost in the hubbub yesterday. Not only was it expected; a more autonomous Bank of England may well decide to go further over the summer, by raising rates another quarter point or more. Nonetheless, the government's willingness to head off potential inflationary pressures is encouraging.

Mr Brown should now turn his attention to fiscal policy to slow down the economy and cut the budget deficit. Modest net tax increases in his July budget would reduce the need for further interest rate rises. This should cut some of the support from beneath sterling, which has appreciated by nearly 20 per cent since last August. That in turn would reduce the present imbalance between exporters, whose profits are under pressure, and the booming domestic services sector.

Despite its various manifesto commitments, the government has left itself ample scope to raise taxes. Abolishing mortgage interest tax relief, for instance, would bring in around £2.4bn, while the abolition of the married couple's allowance might fetch £2.8bn. Such measures would be a direct brake on consumer spending and, as such, preferable to higher corporate taxes. Whichever option Mr Brown and his colleagues choose, the more they tighten fiscal policy early on, the better their chances of being re-elected in five years time.

Additional Lex note on Capital Radio/Virgin, Page 25

NTT joins in cyber city

Continued from Page 1

250,000 inhabitants, is thought likely to cost at least M$10bn (US$3.99bn) to build in four stages, the first to be completed in 1999 at a cost of M$2bn, officials said.

The biggest stakeholder in Cyberview, with 55 per cent, will be a conglomerate composed of Renong, a diversified group with strong government links, Country Heights, a property company, and two unlisted concerns, Peremba and Emkay.

Other shareholders are to be the Selangor State Government, Permodalan Nasional, a state investment company, Golden Hope, a plantation firm, and the Multimedia Development Corporation, a concern funded by the finance ministry.

A ground-breaking ceremony for Cyberjaya is to be held on May 17, just three days before Dr Mahathir Mohamad, the prime minister, is scheduled to arrive in London to market the MSC to European investors.

Pakistan's eurobond issue

Continued from page 1

strapped for cash and share prices have remained static for several months. The reforms appeared to be a renewed attempt to revive investor interest in domestic equity markets. Finance ministry officials said the measures were necessary to help overcome foreign investor fears about the volatility of Pakistan's exchange rate.

Mr Khan said a high-powered government commission would finalise proposals in about three months to update company laws which were introduced 27 years ago.

The three-year $100m floating rate eurobond will be underwritten by ANZ investment bank.

Officials at ANZ in London say the debt will be priced at between 3.75 and 4.25 percentage points above Libor - London's inter-bank offer rate. This is roughly in line with Pakistan's credit rating. The roadshow for the bond began in Tokyo yesterday and moves to London tomorrow.

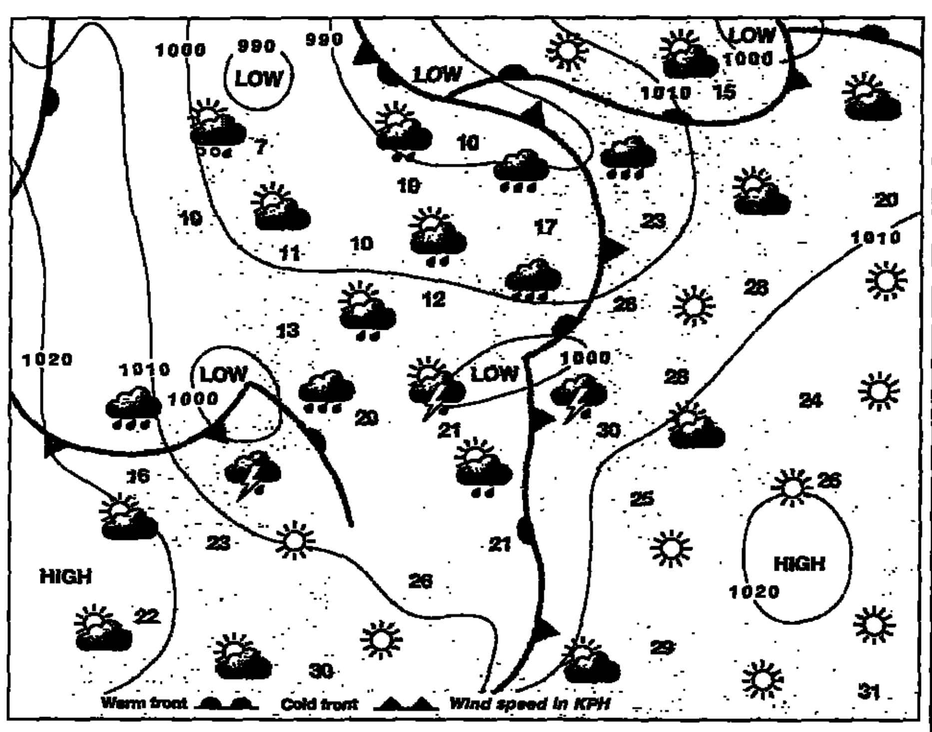
FT WEATHER GUIDE

Europe today

Showers, some with small hail, will affect the UK and the Benelux as cool air sweeps further into western and central Europe. An active frontal zone over southern France and the Pyrenees will produce a lot of rain. The Alps will be cloudy with patches of rain. There will be snow above 1,200 metres. Rain clouds are expected from Croatia towards Poland with thunder storms on the boundary between cool air in the west and warm air over south-eastern Europe. Russia and the Balkan countries will have patchy cloud with thunder storms.

Five-day forecast

Rain clouds will drift from over the Alps towards Italy. Widespread afternoon showers and some rain will continue in the northern Balkans and south-western Russia along the boundary with warm air to the south-east. Greece and Turkey will continue warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 22	Caracas	fair 31	Faro	sun 20	Madrid	thund 16	Rangoon	fair 36
	Celsius	Belfast	shower 9	Cardiff	rain 9	Frankfurt	shower 9	Majorca	cloudy 17	Reykjavik	cloudy 4
Abu Dhabi	sun 35	Belgrade	shower 24	Casablanca	fair 20	Geneva	shower 13	Malta	sun 21	Rio	shower 29
Accra	fair 31	Berlin	shower 10	Chicago	thund 18	Gibraltar	sun 21	Manchester	shower 8	Rome	fair 21
Algiers	fair 19	Bermuda	thund 24	Cologne	rain 8	Glasgow	rain 10	Manila	fair 33	S. Frsco	sun 24
Amsterdam	shower 9	Bogota	cloudy 19	Dakar	fair 26	Hamburg	shower 9	Melbourne	fair 19	Seoul	rain 23
Athens	fair 22	Bombay	sun 33	Dallas	fair 29	Helsinki	fair 16	Mexico City	fair 26	Singapore	fair 33
Atlanta	sun 25	Brussels	shower 9	Delhi	fair 33	Hong Kong	fair 27	Miami	thund 28	Stockholm	rain 14
B. Aires	sun 26	Budapest	shower 18	Dubai	sun 36	Honolulu	fair 29	Milan	shower 14	Strasbourg	cloudy 11
B.ham	fair 9	C.hagen	shower 10	Dublin	hail 10	Istanbul	sun 26	Montreal	snow 8	Sydney	fair 23
Bangkok	fair 40	Cairo	sun 29	Dubrovnik	shower 21	Jakarta	fair 31	Moscow	fair 19	Tangier	fair 20
Barcelona	fair 17	Cape Town	sun 23	Edinburgh	shower 10	Jersey	shower 10	Munich	shower 13	Tel Aviv	sun 29
						Karachi	fair 35	Nairobi	shower 25	Tokyo	fair 23
						Kuwait	fair 37	Naples	fair 19	Toronto	cloudy 12
						L. Angeles	sun 26	Nassau	fair 28	Vancouver	fair 13
						Las Palmas	sun 23	New York	fair 15	Venice	rain 16
						Lima	sun 26	Nice	cloudy 20	Vienna	shower 14
						Lisbon	shower 16	Nicosia	fair 26	Warsaw	rain 16
						London	shower 11	Oslo	rain 11	Washington	cloudy 18
						Lux.bourg	shower 6	Paris	cloudy 11	Wellington	fair 15
						Lyon	rain 13	Perth	fair 19	Winnipeg	rain 17
						Madeira	fair 19	Prague	rain 13	Zurich	shower 8

Information Technology

Wednesday **May 7** 1997

Neural networks and data mining software can now mimic human thought when processing vast amounts of sales data, thus enabling large companies to save millions of dollars, enter new markets, retain customers, track fraud and generally become more competitive, reports **Paul Taylor**

Breakthroughs in business intelligence

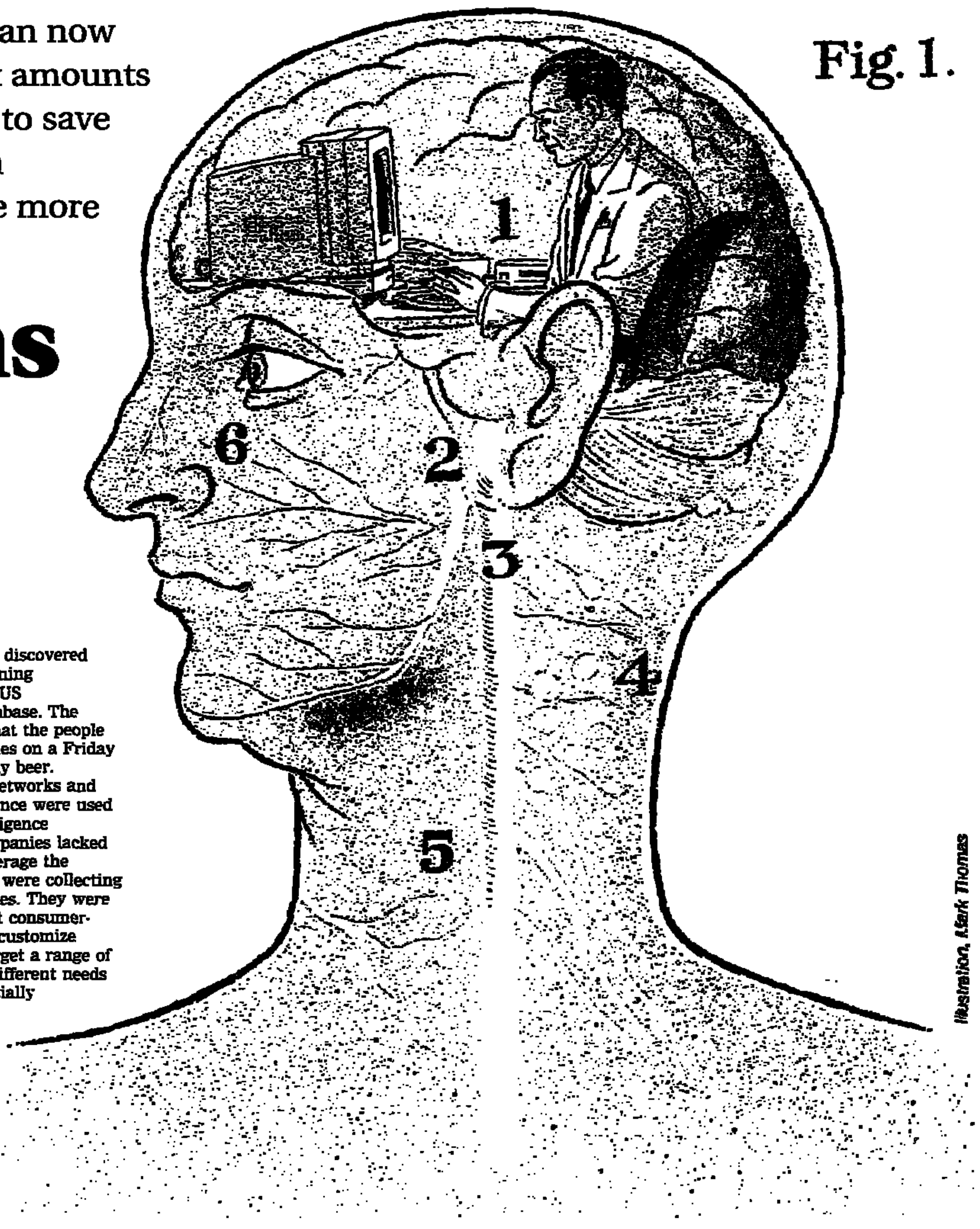


Illustration: Mark Thomas

Neural networks and artificial intelligence were among the hot issues in the fast-moving information technology industry in the early 1980s. But when they failed to deliver the instant wins that venture capitalists and others were seeking, neural computing and AI fell out of fashion and out of the high-tech spotlight.

Even Japan's much vaunted Fifth Generation computer project, which was begun in 1982 and was to use parallel processing and AI techniques to develop next-generation 'intelligent' machines, faded from sight.

But in spite of these early setbacks, neural computing, parallel processing and AI techniques have all made substantial advances in recent *years aided, in part, by the* dramatic advances in microprocessor power.

Although many researchers and high-tech start-ups now shun the AI 'tag', these advances coupled with more realistic expectations, have ensured that neural computing and AI have not been forgotten.

Indeed, many of the *technologies pioneered by* AI researchers at the Massachusetts Institute of Technology and other laboratories on both sides of the Atlantic have begun to be incorporated into mainstream business applications.

Unlike conventional computing techniques, neural computing is modelled on the biological processes of the human brain and has many human-like qualities. For example, neural computers can learn from experience and do not need to be programmed with fixed rules or equations. They can analyse vast quantities of complex data and identify patterns from which predictions can be made.

They also tend to be more robust than their conventional counterparts. They have the ability to cope well with incomplete or 'fuzzy' data, and can deal with previously unspecified or new situations. As such, they are ideally suited to real world applications and can provide the solution to a host of currently impossible or commercially impractical problems.

In addition, the time needed to *develop* a neural application is often less than with a conventional programme because there are no algorithms or rules to define. The scope and accuracy of the finished application are also often improved since the neural computer can be exposed to many more examples than can be assimilated by a single *human* 'expert'.

International Business Machines has, for example, integrated neural network and artificial intelligence technology into software applications, such as data mining packages. Mr Evangelous Simoudis, a scientist at IBM's Almanden research center, says such techniques enable business *users to sift through vast* quantities of raw data in order to spot hidden trends or anomalies which might otherwise be missed.

IBM's business intelligence and data mining software can mimic human thought when processing information – called the verification model – or go beyond human *logic* to discover *correlations between seemingly* disparate data – called the discovery model.

The verification model confirms or refutes the hypothesis of a savvy business person while the discovery model reveals patterns that human logic might not see. The classic example was the unexpected connection between beer and nappies discovered during a data mining experiment on a US supermarket database. The study revealed that the people purchasing nappies on a Friday also tended to buy beer.

Before neural networks and artificial intelligence were used in business intelligence applications, companies lacked the ability to leverage the information they were collecting in data warehouses. They were unable to connect consumer-buying patterns, customize promotions to target a range of customers with different needs or identify potentially fraudulent insurance claims based on past behaviour.

At best, information analysis was done manually – perhaps as much as 90 per cent of analysts' time was spent gathering information, leaving only 10 per cent of the time to digest and analyse the data. With IBM's business intelligence technology, however, customers are now able to save millions of dollars, enter new markets, retain customers, track fraud and generally be more competitive.

Among IBM's customers:

- Merrill Lynch developed a Trusted Global Advisor (TGA) network that gives up-to-the-minute information on customer portfolios and investments. With access to information in real-time, brokers can help customers make better decisions about their financial futures.
- Cadburys saw its market share of the chocolate market slip from 33 per cent to 28 per cent, but an IBM business intelligence solution helped the company focus attention on those product lines that appealed to customers and Cadburys' market share is now back up to 30 per cent.
- The Safeway supermarket chain in the UK is improving customer service by tracking product purchases - a system created by IBM in only a few weeks. Preferred customers receive marketing information that appeals directly to their individual needs and tastes.
- Southern California Edison uses IBM database technology to identify unanticipated opportunities that saved millions of dollars for the United *States' second largest utility.* One application that looked at credit collection and overdue accounts helped recover more than $8m. The company says its overall return on investment for its databases is 600 per cent.

Neural computing and AI techniques also lie behind many of the sophisticated search engines and intelligent agents found on the Internet and corporate intranets. As Mr Mike Lynch, founder and managing director of Autonomy, the Cambridge-based intelligent agent pioneer, notes: "In business today, the ability to access the right information at the right time is absolutely critical.

The problem is that technologies which promise this ability, namely the Internet and corporate intranets, are flawed *in their delivery. Rather than* giving users the tools to assimilate the right information into useful knowledge, they are overloading them with too much irrelevant dross."

Autonomy's latest products include server products designed to deliver personalised information to Internet and intranet users in a dynamic fashion. They use the dynamic reasoning engine technology developed by Cambridge Neurodynamics, a recognised world leader in the application of neural network and pattern recognition technologies.

AI and neural computing techniques are used in 'case-based reasoning' tools such as those developed by California-based Inference for intelligent problem solving in help desk, customer support and other *computer-telephony integration* packages.

Other AI and neural computing-based systems are used for credit scoring and to help pinpoint and prevent fraud in areas as diverse as equity trading and cellular telephone networks.

Meanwhile, Neural Technologies, a Hampshire based start-up has launched a software package called Prospect Explorer. The product, developed in conjunction with *Australia's Straits Resources* group, is a geological exploration tool with the capacity to analyse a range of different type of raw exploration data and automatically detect and prioritise anomalies.

"Neural computing and other forms of intelligent technology are providing leading edge solutions to complex business *problems,*" says Mr Nick Ryman-Tubb, chief executive of the Neural Technologies.

"From manufacturing, banking and finance, defence, telecommunications, pharmaceuticals to the holiday industry, we have already applied neural computing to a wide variety of commercial and industrial applications - *particularly those which have,* until now, been either impossible or commercially impractical for conventional computing to address," says Mr Ryman-Tubb.

Nevertheless, even neural computing enthusiasts concede that neural networks will not replace conventional computers. "Neural computing should not be viewed as a competitor to conventional computing, but rather as a complementary technique," notes Neural Technologies.

The most successful neural computing applications to date have been those which operate in conjunction with other computing techniques. For example, using a neural network to perform a first pass over a set of incoming data, then passing the results over to a conventional system for subsequent processing.

However, with the growing emphasis on autonomy, intelligence and an increased amount of information required by businesses, traditional computer processing technology can only cope through faster hardware with more complex, bespoke software. With this approach, the question is: how long is it going to take to write this software, how many different versions for each variation and once written, how safe is it from bugs?

As Neural Technologies notes in its white paper: "The problem, growing towards the millennium, is that engineers no longer have the luxury in development to calculate all the algorithms or identify all the rules in these complex systems. In fact, most of these systems are so chaotic that doing so would be futile and prone to failure.

Neural computers, with their *ability to learn from examples,* rather than needing to be explicitly programmed, offer a means of making such tasks tractable to a machine."

INTERVIEW • Paul Taylor talks to Harry Seegers, chief executive of GEIS

Fuelling the electronic commerce revolution

'Information technology will be to the 21st century what electricity has been to the 20th century'

GE Information Services (GEIS), the electronic transactions processing group based in Rockville, Maryland, made its reputation providing reliable, heavy-duty data links and proprietary electronic data interchange (EDI) services for its corporate customers.

But when the Internet began to be adopted by corporate users for communications and electronic commerce, many people questioned whether GEIS could adapt to the fast-paced environment. Some even asked whether electronic data interchange itself had a future.

The challenge for Mr Harry Seegers, the 42-year-old former marine and management consultant who took over as chief executive of GEIS last summer, is to prove the sceptics wrong and ensure that his company is in the vanguard of the Internet electronic commerce revolution.

Information technology will be to 21st century commerce what electricity has been to 20th century industry, he says. "It will transform the nature of business and be a leading contributor to economic productivity. We must position our business as the world leader in business applications of information technology for the next century."

Supply chains

He believes IT will enable companies to "streamline their supply chain processes, achieve quantum improvements in product quality, dramatically expand their market reach, and tightly integrate operations with those of trading partners." If electrical networks fuelled the industrial revolution, information networks will fuel the electronic commerce revolution, he says.

As transmitting information becomes more and more a commodity business, "only those companies that can transform information into knowledge will sustain competitive advantage," he says. "GEIS has a tremendous opportunity to develop products and services to more effectively address the needs of our global customers."

Under Mr Seegers, GEIS has already begun to harness the power of Internet to extend the reach of traditional EDI. For example, GEIS pioneered the use of EDI over the Internet with TradeWeb, an entry-level, forms-based service which enables subscribers to send and receive four basic EDI documents – the purchase order, purchase order acknowledgment, invoice and functional acknowledgment – over the Internet using a standard Web browser.

"One of the great strengths of EDI over proprietary systems over the years has been that standards committees and participants in the network businesses have agreed upon a set of standards by which communications take place," he says. "Just as we needed standards over proprietary systems, we need standards over open systems as well, so we don't have a proliferation of transport protocols and translation protocols."

Seegers: he spends a lot of time with Fortune 500 customers

That, he says, is one of the reasons that GEIS formed a joint venture with Netscape. "We wanted the joint venture to be out in the forefront of establishing standards on the Internet for conducting electronic commerce. GEIS, by virtue of our heritage, knows quite a bit about electronic commerce and EDI specifically, and of course Netscape is in the forefront of understanding Internet technology. So we thought it was a marriage made in heaven.

Co-operation

Mr Seegers argues that the development of Internet EDI standards is in everybody's best interest. "I think you will see a lot of co-operation because this is one of those great industry developments where all ships in the sea rise as the sea rises."

The GEIS chief executive believes that electronic commerce in the future will become a tiered service. Companies – typically large companies – with high volumes of transactions and tough requirements for reliability and security will continue to use private networks, even though these networks may well use Internet technologies.

On the other hand, smaller companies, including the bulk of the 2m which could potentially be using EDI, but do not because they do not need all the features of private network EDI, will embrace Internet EDI.

"Maybe what they are looking for is low-cost access and ease-of-use," says Mr Seegers.

The Internet is also encouraging traditional EDI vendors to re-examine their products. "When I talk to customers, the thing that I hear most in terms of complaints about EDI is that the interfaces are difficult – that the front-end systems are written for IT professionals as opposed to purchasing agents. We have recognised this and one of the things we are trying to do is to learn from the user-friendly nature of Internet technologies and the browser interface and apply that to EDI."

But for big EDI users, Mr Seegers says interconnectivity is the big issue. "A lot of these new Internet technologies require a fairly good understanding of legacy systems," says Mr Seegers.

"They need to be integrated with the open systems that are being developed in conjunction with the Internet. That is one of the ways we believe we can add value working closely with the open system providers and helping them to derive maximum value from their applications through interconnectivity with legacy systems."

GEIS sees this requirement as a significant barrier to entry for competitors, because, "as we know, colleges and universities right now are not exactly spewing out experts in Fortran and Cobol."

But he argues that GEIS has several other key competitive advantages. First, he says, "I think GEIS was one of the first companies in the electronic commerce space to begin taking the Internet phenomenon seriously.

"Secondly, I believe our global network provides us with a unique competitive advantage. We have points of presence in 42 different countries around the world, dial-up access in another 175 and we have local support in those countries. The network is truly an integrated global network.

In addition, he points out that GE has been in this business almost since its creation in the 1940s when the group co-developed the Basic computing language with Dartmouth College.

He also believes the group's experience of networking islands of automation together with common protocols, will help GEIS develop intranets and so-called extranets for its corporate clients. He says GEIS is using its understanding of "horizontal communications" within a business and with its partners to create intranets and extranets using Internet technologies.

Among the specific intranet and extranet applications which GEIS is developing for its customers are sales force automation and logistics tracking services. "I happen to believe that in the next 10 years the real action on the Internet, and with Internet technologies, is going to take place with business-to-business transactions," says Mr Seegers.

Viewpoints

He does, however accept that there are still a few people inside GEIS with doubts about his Internet strategy. "Folks who have been with this industry for most of their careers have seen fads come and go," he notes. "There are some people who believe the Internet infrastructure will collapse of its own weight. I will call those people healthy sceptics, I mean it could happen. I don't believe it *is* going to happen, but it could.

"Today, I would say the mainstream opinion inside GEIS is that Internet technologies will strengthen our private network offering and the Internet itself will expand our market reach and allow us to grow our installed base in ways that were never likely to be possible without the development of Internet technologies.

He also firmly rejects suggestions that GEIS has been reluctant to embrace the Internet. "We are not half-stepping in the Internet arena because of a fear of cannibalization," he says. "Our senior leadership team believes that the Internet phenomenon is here to stay and that it is our responsibility as industry leaders to take full advantage of this development for the benefit of our customers."

GEIS is seeking to combine the advantages of secure, high quality private networks with the ease of use and lower cost attributes of Internet technologies. Rather than posing a threat to EDI, the group is adopting open Internet technologies to extend the reach of electronic commerce.

Similarly, he is convinced that Internet will not kill off private network EDI. "When I took over 10 months ago, I was able to articulate, from a conceptual level, that there would still be private networks with TCP/IP and then internetworks – the public network.

"The reason I feel very strongly that this is the way the market is going to segment itself is not because of what analysts are saying. It is because I spend a lot of time with *Fortune 500* customers.

"Chief executives and chief information officers tell me that the day they do mission-critical transactions

FT-IT

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New directions: Smartcard applications.
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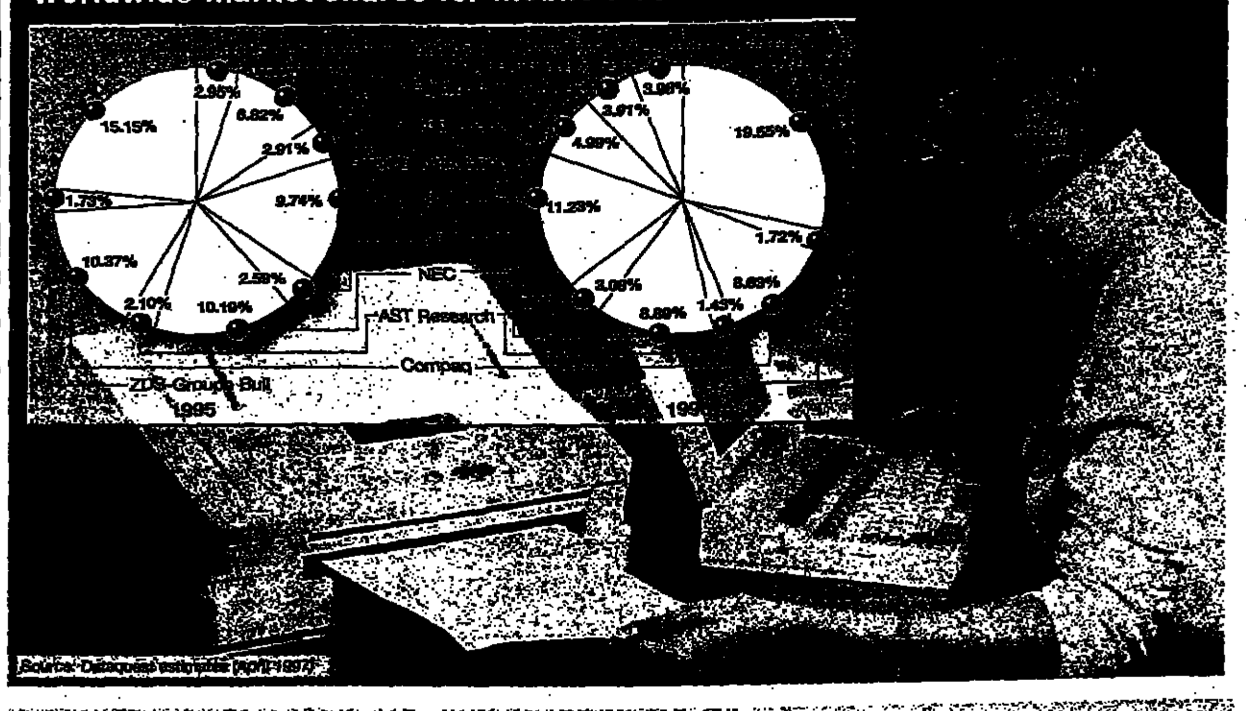


DEMAND FOR WORKER MOBILITY • By Paul Taylor

The momentum is building rapidly

By the end of the decade, 55m computer users will work beyond the boundaries of the enterprise

Throughout the twentieth century, technological advances have increased mobility to such an extent that today it is unremarkable for someone to have travelled the globe extensively.

Meanwhile, over the past 20 years technology has delivered personal computing power, first in a fixed desktop format, and more recently in miniaturised, portable packages – a move which, together with advances in wired and wireless telecommunications, has provided the increasingly transient workforce with access to computing power virtually anywhere they go.

But as Mr Chris Jolly, research and development manager of Text Systems, a London-based computer services organisation specialising in mobile computing, says: "Mobile computing is much less to do with the ability to take a computer on one's travels, than for computing services to be delivered to the mobile user wherever they might be, whether the point of delivery is a mobile unit or a fixed, remote workstation.

"The ability to do this relies on a number of technologies including portable hardware, global networks – principally, the Internet – and wireless data communications. It is the convergence of these technologies that finally allows the computer user to be truly mobile."

According to Gartner Group, the IT consultancy, by 2,000, 55m users will work outside the boundaries of the enterprise and without benefit of local area network or high-speed wide area network connections at least 20 per cent of the time. These users include both remote workers (telecommuters) as well as truly mobile workers – for example field service technicians. Within a few years, more than 75 per cent of so-called "knowledge workers" will be "location-independent," predicts Gartner.

As Text Systems also notes: "The technologies to support true mobile computing are just reaching maturity and the next few years will see a slew of exciting new products reaching the market. Hardware will become smaller and more powerful so that soon the computing power inside a hand-held unit will exceed that of today's desktop PCs."

Already, notebook portable PCs and handheld devices have established themselves as mainstream business tools, providing increased flexibility both inside and outside the office. Now, as the price premium for portability shrinks and the technology gap with desktop machines narrows, portables are beginning to replace the traditional desktop in some organisations.

Two years ago, a portable machine cost on average 2.8 times the price of a comparable desktop: now the premium for some machines is down to about 30 per cent. "There is still a price premium, but at the entry level, in particular, it has fallen," says Mr Andy Bass, Toshiba Information System's marketing manager in the UK. Toshiba, the portable PC market leader, offers a wide range of portables including its Satellite, sub-notebook

Most portable PC manufacturers have developed a tiered approach to the market, typically combining entry level machines with 11-inch or larger STN colour screens and full-function high-end notebooks with large and bright 13-inch TFT (thin film transistor) screens. "There's a very clear segmentation of the market," says Mr Andreas Barth, who oversees Compaq Computer's European operations.

In the past, the processing power of notebook PCs typically lagged desktop machines, but significantly, when Intel's new MMX chip was launched earlier this year, portables using the new technology were rolled out on the same day as their desktop counterparts.

The development/sales cycle has also caught up with desktops. For example, Toshiba works on 3:6:1 model – three months to develop a product, six months to sell it and one month "to wind it down".

The latest high-end notebook machines come with fast Pentium MMX microprocessors, high speed integrated CD-Rom drives and large, bright 12 or even 13.3-inch LCD screens – the maximum size that can be accommodated in the standard A4 notebook format.

Features such as these have helped portable PCs manufacturers like Toshiba, Compaq, International Business Machines and Dell make steady inroads into the desktop market. Today, about one in every three PCs sold in the US and one in every five in Europe is a mobile machine.

Overall, the portable PC market, which includes hand-held devices such as the new Windows CE machines, as well as standard A4 notebook machines, is one of the most dynamic.

The value of portable PC sales is expected to more than double from \$30bn last year to nearly \$80bn by the end of the decade, an 18 per cent compound annual growth rate, according to a recent study of pen, palmtop and notebook computers, prepared by Frost & Sullivan, the market research company.

This demand is driven, at least in part, by companies replacing desktops with portables sold with PC Card network devices, docking stations or port replicators enabling them to easily integrate with corporate networks. Dell's Mr Phillips, says that 65 per cent of its new Latitude machines are sold with port replicators making them 'network ready.'

Similarly, 24 per cent of Toshiba notebooks purchased over the past six months have included docking stations of some form. Orders are now coming from people who do not need to be in the office all of the time, says Toshiba's Mr Bass. "They are buying portables as the ultimate desktop replacement."

Dell and other notebook PC manufacturers have also begun to install Microsoft Windows NT on some of their machines at the behest of business customers. "Our factory installation of NT 4 enables notebook users instant access to 32-bit computing and network compatibility," says Mr Julian Phillips, notebook business manager for Dell Computers in the UK. The company's implementation of NT Workstation provides customers with some additional features such as power management, designed to optimise the operating system for mobile users.

Meanwhile, the development of the portable PC as a communications device, has meant that notebook PC users can have high speed remote access to e-mail, the Internet, or a corporate intranet – anytime, anywhere.

In Europe, in particular, the arrival of wireless digital GSM (Global System for Mobiles) phone networks has made keeping in touch with the office while on the move, much easier – portable PCs equipped with a cellular data card can be plugged into a digital GSM handset to send or receive data. Nevertheless, only about one in 50 GSM phone users also has a GSM data card and data transfers account for less than one per cent of GSM traffic.

Among the factors that could change this is the emergence of a new generation of wireless digital personal assistants – devices that combine the features of a digital telephone and a high powered electronic organiser.

Indeed, the marriage of handheld PCs and wireless telephony in new devices from Nokia, Sharp, Motorola and others – as well as add-on enhancements to existing hand-held machines such as the Psion series 3 – has helped re-ignite interest in the pocket-sized computing market, following disappointment with first generation PDAs.

"PDAs, growing rapidly from a small base, will continue to be a success in niche markets, but they will need improvement before they become the mighty industry predicted at their introduction," says Frost & Sullivan.

One pocket-sized machine which does seem to have captured the imagination of business users, particularly in the US, is US Robotics' PalmPilot – a simple-to-use six-ounce machine which fits in a shirt pocket and is designed to compliment rather than replace a notebook PC – *see financial application report, page 4.*

More generally, companies want mobile computing to be an extension of their IT infrastructure. Mr Robert Amezcua, IBM's vice president of worldwide mobile solutions, says: "The message is: 'Look, I don't want this mobile capability as a separate entity. If it's going to be valuable, it must be an extension of my IT infrastructure, my knowledge base.'"

Until now, it is not the jet-setting executives who are the real backbone workforce of the mobile computing industry, but the blue collar workers such as field service and sales personnel, public safety officers, emergency services, taxi and parcel services and others who were already mobile. The revolutionary change will come, though, when organisations start to examine how mobile computing can be used to increase the mobility of largely static workers, says Text Systems, in a management white paper.

"There is a tremendous momentum behind the move to mobile computing, but it is still in its infancy," says the report. "Mobile computing will start to take off very visibly this year and will trigger a revolution in working practices at least as significant as that precipitated by the widespread adoption of PCs.

"Assuming this is so, then there is a compelling case for users to position themselves to take advantage of the new technology, rather

FT IT

Computing on the move

Here and on the following six pages, FT writers look at advances in mobile computing:

Notebook PC buyers will not accept compromise

Mobile computer users now expect the same levels of functionality from their notebooks as they have with their desktop machines – "and in many cases their notebook will be their only computer," observes Mr Julian Phillips, notebook business manager for Dell Computers in the UK. For this reason, the notebook must be comfortable to use, powerful, and robust, he adds.

Members of Dell's customer forum say they are unwilling to accept compromises in the areas of:

- ☐ Reliability.
- ☐ Robustness.
- ☐ Battery life.
- ☐ Processor performance.
- ☐ Screen size.
- ☐ Keyboard ergonomics.

Advances in miniaturisation techniques, screen and battery technologies, coupled with Intel's decision to target the mobile market for special attention, has helped close the technology gap between portables and their desktop counterparts.

Buyers spoiled for choice

In the fast-changing world of mobile computing and communications, portable PC screens are becoming wider and phones are getting smaller

The airport lounge of the near future could be full of executives engaged in videoconferences. That's because Intel's latest chip, the Pentium with MMX (multimedia extensions) can compress sound and video into such a small space, so that a videophone call can be made over an ordinary phone line.

In the US, Toshiba of Japan is already selling an MMX portable with built-in video camera for laptop videoconferencing.

GSM data

But getting portables to communicate on the move is not that simple in a hotel room, never mind an airport lounge. The solution being touted in Europe by a consortium of 37 companies including portable-computer makers, telecoms equipment companies, network operators and software companies is GSM data.

Using GSM (the Global System for Mobile, the digital standard for mobiles), travellers can send and receive data on the move. However, videophone calls over GSM will not really be practical until 'channel bundling' arrives in 1999 and a faster frame rate is possible. Mr Johann Weber, director of wireless data communications at Intel Europe, says the consortium is trying to make the virtual office a reality. He says: "I know people who have spent several hundred dollars trying to send data from a hotel room."

Mr Weber says the 37 companies are trying to make GSM data as easy as possible for executives to use. They are doing compatibility tests and promoting its use across Europe, where GSM networks are widely available.

GSM data does appear to be getting more simple and economic to use. At this year's CeBit show in Hanover, Germany, Nokia launched a mobile phone that could be used for data with the addition of a cable and a few disks of software. The cable links the portable to the phone. "Previously, a GSM data card, costing $400 to $600, would also have been needed," says Weber.

"Today, if you are using a notebook PC with Windows 95, you can just connect it – it's easy," adds Mr Weber.

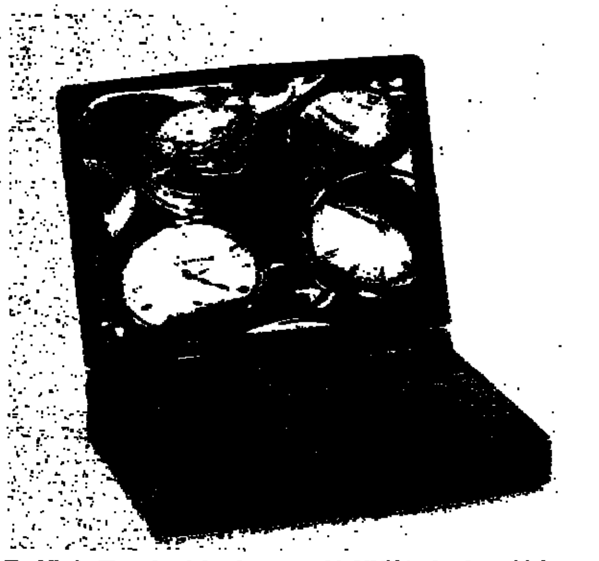
Card-sized extras

However, not all GSM phones are equipped for mobile data. And, of those that are, most still require GSM cards. But even here there are improvements. A number of manufacturers are producing multi-function credit-card sized cards that fit into the laptop's PCMCIA slot.

For example, UK-based PPCP sells a PCMCIA card that can be used for GSM data, ISDN (Integrated Services Digital Network) or as a standard modem. And Psion, the UK-based maker of personal organisers, offers a card that can be used for communicating on local-area networks (Lans), standard phone networks, or over GSM.

One problem is that GSM data cards often work with only one manufacturer's GSM phone. However, Dr Neuhaus of Germany sells cards that work with phones from a variety of manufacturers, including Siemens. PPCP's card works with GSM phones from 16 different manufacturers.

Mobile computer users can also use a PCMCIA card as a cheap alternative to a "docking station" to connect them to the office local-area network (Lan). Intel sells two such cards, which can be used on both standard 10 megabits a second (Mbps) Lans, and on Fast (100 Mbps) Ethernets. The cheapest of the two Ethernet adaptor cards is £2,425 for 20.



Toshiba's 'Tecra' notebook range with MMX technology: high performance video, audio, animation and Internet communications

Nokia even sells a card-sized mobile phone. Weighing just 60 grammes, with an antenna, it slots into a portable, turning it into a hands-free, loudspeaker phone. This is useful for working on the move or for involving several colleagues in a call. The portable must have a PCMCIA Type II slot and Windows95.

Numbers in the portable's memory can be voice activated, for example, 'Ring Dick Smith' – and it is possible to use all sorts of extra features such as background-noise cancelling.

The demand for making phone calls on the move is clear. But whether the travelling executive really wants be seen looking crumpled and sleepy in an airport lounge while making a videophone call is another question. "Talking heads may not be *the* application," says Mr Weber.

More from MMX

However, MMX has more to offer than videoconferencing. MMX notebooks can be used for presentations because they display full-screen MPEG-1 decoded video at a good speed, with improved sound.

New MMX portables operate at speeds of 150 and 166 Megaherz (Mhz), but because they have a low internal voltage, Mr Weber says they do not consume more battery power. Prices range from $2,000 to $5,000.

The technology has also been designed so that manufacturers can easily upgrade from MMX to other chips without having to change their basic design. For the user, this means that notebook PCs containing the latest technology should come to market very soon after new desktop PCs.

But perhaps the most useful feature of MMX for notebooks is that it has the potential to make data communications easier, because a lot of modem features are built in.

Top of the range

As the new crop of MMX notebooks and laptops starts to appear from companies such as Toshiba, Fujitsu, Dell and Compaq, many have other top-of-the-range features. These include wide screens, ten-speed CD-Rom drives, ultra-portability and interchangeable modules.

Both Toshiba and Packard Bell NEC sell portables with the widest screen available to date at 13.3 ins, diagonally; meanwhile, 12.1 ins screens are becoming widespread.

"Although the screen runs corner to corner with only a small frame, our screen technology ensures the robustness of the notebook remains intact," says Mr Murray McKerlie, product marketing manager at Toshiba. The company has also brought out a 2.6kg ultra notebook with a CD-Rom drive.

Small but powerful: continuous technology developments have seen notebook performances reach unprecedented levels. This Siemens Nixdorf PC, for example, links up with overhead projector facilities to allow executives to use their notebook PC systems for high-quality OHP presentations

More and more interchangeable modules are also becoming available for users who want to extend the life of portables. A 120 megabyte disk drive from OR Technology can replace a laptop's 12.7mm floppy bay and read standard floppies or 120 megabyte disks suitable for storing large files or graphics. But as portables become better equipped, companies are starting to question whether mobile executives need a desktop PC. "Many companies are recommending that users select one platform for their computer needs," says James Smith, European director of Intel's network products division.

Before companies have had time to decide, a new brand of portables, similar to the Psion organiser, but running Windows CE, a stripped down version of the Windows operating system and several mini-Windows applications, will be on the market. Machines from Philips, Hewlett Packard, Casio and Digital Equipment are due out this spring, where they will join the new, improved, non-Windows-CE Apple Newton.

Before long before they'll have GSM phones added on. But it could be some time before they offer palmtop videoconferencing.

Internet links: see page 7.

PERSONAL DIGITAL ASSISTANTS • By Michael Dempsey

Pricing is crucial to market success

Suppliers are in a race to persuade IT-literate executives to purchase pocket-sized gadgets

Compaq will shortly launch its PC Companion in Europe after a North American debut in November last year. This pocket-sized personal digital assistant, or PDA, will sell for around £300. The PC Companion is not a new product, however. Compaq was poised to release it two and half years ago, but held back. Other PDAs, notably the Psion organiser family, have sold well in the interim, so what has changed to persuade Compaq to change heart?

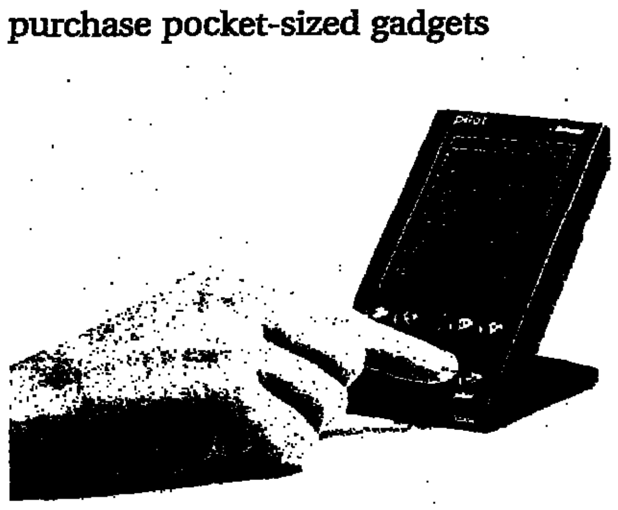
Windows CE is the answer, a cut-down version of Microsoft's Windows 95 operating system that was designed for the PDA and mobile communications market. PDA makers have rushed to embrace CE, seeing it as the way to sell a new generation of hardware on the back of the massive worldwide user-base for Microsoft software.

Mr Bruno Didier, European vice president for PC products at Compaq, says a lack of compatibility with full-scale systems is what has held back the pocket PC market. "Our research showed that compatibility was the key to user acceptance. That's why we decided not to launch the PC Companion in 1994."

With CE, Mr Didier believes business users will be tempted to transfer data on their PC Companion to use while travelling. "CE offers a subset of the Excell spreadsheet and Word. Our buyers will be people who are happy working with a desktop PC but who want to export some files while they are away from the office."

This ability to carry away part of the familiar software environment marks out the new generation of PDA. Mr Didier criticises the process of transferring files between a Psion and a PC, but his frequent references to the rival system underline just

Continued on next page



The remarkably small Pilot hand-held, connected organiser from US Robotics offers handwriting recognition on the screen

HANDHELD DEVICES • By George Black

Working practices transformed

Developments in data capture systems have brought a revolution to many types of business

Handheld computers have helped to boost efficiency in many areas of industry and public service in recent years. For example:

☐ In the distribution sector, these systems, combined with terminals in cabs, enable drivers to exchange data on the road with their company's central system.

☐ In warehouses, workers use barcode-reading machines to ensure that goods are stored in the right place, thereby speeding up the task of retrieval.

☐ In pubs, clubs and restaurants, staff take orders using hand-held devices, saving time and reducing mistakes.

☐ Hospitals and medical centres use similar gadgets to record the medicines and drugs which are issued to patients from their pharmacies.

☐ Police use handheld computers to produce crime reports and record details of interviews on the spot.

All these applications have begun to help different types of workers to do their jobs much more efficiently: in distribution, for example, mobile computing can shorten the sales cycle, cutting the time between order and delivery and giving the company a crucial competitive advantage.

Butler Fuels, a Fina oil distributor, based in Cheltenham, investigated mobile computing because running a fleet of 100 vehicles was by far its biggest operating cost and it wanted to save money.

Mobile phones on their own could not cope with transmitting the volumes of data involved. On-board computing was seen as the way to rationalise drivers' schedules and prevent tankers travelling without a load for long distances.

No keyboard confusion

The drivers were given ruggedised personal computers from ACS Data of Salford. The machines were designed so that instructions could be given by a single touch of a window on the screen, instead of requiring keyboard skills which most of the drivers did not have.

The PCs run applications written by the company using Intersystems' software tools. They hold a delivery schedule and are used on the road for recording collection of money and customers' signatures and printing receipts.

New orders can be taken on the spot and details transmitted from the cab to the office using Vodafone's GSM digital phone network. New instructions can be received on the road, saving the driver from a fruitless call to a customer who is not at home or from having to make another trip to an address he has just passed.

A mobile phone could have helped, but mobile computing enables the paperwork to catch up with the driver.

How to persuade the drivers to change their habits was the biggest challenge of the whole project, says managing director Mr John Woof.But most of the drivers have taken to the new way of working with enthusiasm. "They have recognised that this is an opportunity for them to play a bigger part in the business," says Mr Woof.

Now the company has eight of its 30 depots wholly unmanned. Other oil distributors are starting to adopt the same sort of systems to try to achieve an improvement in their productivity.

In the warehouse, data capture devices can transform working practices just as dramatically. They speed up the putting away of goods received and also ensure that goods are stored in the correct place, which saves a great deal of time in picking and stock-taking.

The technology does not merely cut operating costs but also leads to improved customer service.

CASE STUDY The benefits of automatic data capture at Computacenter's warehouse

Tracking system saves time and money

At Computacenter, one of the biggest distributors of hardware and software in the UK, warehouse staff began to use trackers in 1995.

As the business grew, the difficulties of meeting customers' requirements were steadily increasing and demanded a re-assessment of procedures. Up to then, the putting-away of goods had been recorded on paper and later keyed into the warehouse's IBM AS/400 computer system. This was a slow process and led to a lot of transcription errors, which often caused confusion and delay in picking, according to the warehouse manager Mr Andrew Smith.

Pickers used to have to work late in order to get deliveries prepared.

Now all the putting-away is recorded at the time it is done on Intermec bar-code reading devices, which are connected by docking stations to the AS/400 only an hour or so later for the data to be transferred.

The automatic data capture software on the handheld devices and on the central machine was written by JBA. This system has saved a great deal of time and money and the accuracy of warehouse information has improved greatly, says Mr Smith.

Since it was installed, the company has decided that radio frequency should be used instead of docking stations to achieve instant transfer of data to the AS/400.

"We are receiving about 12,000 items a day in the warehouse and a large proportion of that has to go out again the same day," says Mr Smith.

"Real-time recording of goods-in will therefore be a great benefit to us. Service level agreements with our customers can be improved."

George Black

FINANCIAL SECTOR – pocket-sized computing applications • By Michael Dempsey

Radical approach proves popular

Financial staff decide to ditch their mixed collection of heavier PDAs and standardise on the PalmPilot

Gartmore, a £73bn financial services group owned by NatWest Bank, is the kind of organisation which might be expected to have a strong IT policy with large-scale purchases of widely-established products. However, Gartmore Fund Managers, looking after £500m of offshore funds from their Jersey headquarters, is an early user of a radical new product.

The PalmPilot, from US Robotics-owned Palm Computing, *(see page three)* dispenses with the keyboard and screen format normally found on Personal Digital Assistants. At 12cm by 8cm, it is held upright with the screen taking up more than half the rectangular shape. Commands are keyed in to the screen via a pen device attached to the unit. The sturdy appearance of the unit owes a lot to Geoff Hawkins who founded Palm after working as engineering vice-president at Grid, a company specialising in the design of tough portable computers which function in difficult environments. Palm was acquired by the $1.9bn US Robotics in a $44m stock deal in September 1995.

Differences

This departure in design from the Psion-type organiser is highlighted by PalmPilot advertising in bright and brash style magazines aimed at the young and fashion-conscious. But the message also hit home at Gartmore Fund Managers in Jersey. Mr Nigel Parker, director of GFM in Jersey, and his five staff were familiar with the world of the PDA. "We'd all had the usual PDA with a keyboard. But having independently bought much the same type of thing, we each had the same problems. The keyboard was too small and fiddly to use, but the whole PDA was too bulky.

"Rather than using it for mobile work, we ended up using the traditional PDA as a back-up for the desktop PC," he says.

The contrast between the Pilot's design and existing products caught Mr Parker's attention.

"The Pilot went back to basics: it addressed the basic question of what people really want. It's pocket-sized and there's no keyboard."

Mr Parker and his colleagues decided to ditch their mixed collection of PDAs and standardise on the Pilot. This was no corporate decision: they bought the machines out of their own pockets. Low unit cost certainly encourages users to swap products in the PDA sector in a way that would be out of the question for PC users.

"We paid £300 each for them six months ago. I believe you can get a Pilot for less now. They are certainly cheaper than the traditional PDA."

The handwriting function, known as Graffiti, has proved popular and effective. Apple offers handwriting recognition with its Newton PDA range, but the process of teaching the Apple machines to recognise individual handwriting has thrown up a lot of problems with early Newton models.

Simplicity of use

The Pilot software is more simple, in that it requires the user to adapt his writing to a format recognised by the system. Letters must start in the correct place for the Pilot to take them on. The pen is attached to the side of the machine, and can be used to hit the on-screen keyboard.

The portability and small dimensions of PDAs generate fierce personal attachments to these gadgets. The Pilot has won the loyalty of GFM in Jersey.

"We're using it for day-to-day diary functions and time management," says Mr Parker. He recognises that US Robotics' track record in building modems has helped create easy data transfer between a PC and the Pilot.

"This is brilliant at moving data back and forth. You put the Pilot in its cradle and hit a button. In 15 seconds it will synchronise the diary on the PC and the diary on the Pilot."

If a time and date is blocked off on one system, Palm Computing's software will spot it and copy it across to the right place in the other diary.

Big league manufacturers lining up behind Microsoft's Windows CE environment will not be happy with Parker's final verdict: "We think everyone else is heading in the wrong direction with PDAs."

His enthusiasm echoes the sentiments of independent industry figures who have viewed the Pilot. Mr Hawkins and his crew at US Robotics may just have done the unthinkable, and halted a Microsoft bandwagon.

Announcing the winner: Richard Lambert, editor of the Financial Times, with Lesley Morris (left) and Sarah Atkinson, both of 3Com, with the winning entry for the Boston FT Party competition

Competition • The Boston FT Party

Winner announced

The winning entry for the prize trip for two to Boston, Massachusetts, in June, is FT reader Mr David Warner.

The prize package includes hotel accommodation, spending money and a yacht trip. "I'm really delighted," said Mr Warner, a keen sailor.

Boston will be the latest port-of-call for the BT Global Challenge yacht race. Mr Warner and his wife will be met by FT journalist Richard Donkin, one of many people drawn from all walks of life who have taken part in the race.

The competition was launched by the FT-IT Review in association with 3Com, the computer networking company.

THE SHAPE OF THINGS TO COME • By Tom [illegible]

Implants are on the way

Computers can already be worn and eventually will be implanted in human bodies. These systems could become part of our brains and would dramatically expand human capabilities

As computers become smaller, it is reasonable to assume that we will soon be using wearable personal computers, with the central processing unit (CPU) strapped to a belt and maybe with a 'heads-up' display built into lightweight eye-glasses that may also contain a tiny video camera and wireless communications system.

Researchers at the Xerox Palo Alto Research Center believe that we will have numerous computers on our bodies, many of them implanted into our clothes: they even speculate that it will be possible to build image displays into clothing.

The military is particularly interested in wearable PCs for infantry use. Wearable computers are already commonplace in user-applications for jet fighter pilots who have sophisticated heads-up displays. But if infantry soldiers could be outfitted with wearable personal computers, they would be more effective in seeking out an enemy and also relay intelligence back to their commanders.

The US-based company, Computing Devices International has shown a 2 lb PC called 'The Wearable' that has been used by the US Army in Bosnia for help in language translation. The Wearable can be hooked on to a belt or placed inside a bullet-proof vest, with connections for peripherals.

While most heads-up displays are bulky and project images on to a transparent screen, US-based Microvision has developed a unique display system that could be ideal for wearable PCs. The company's Virtual Retina Display (VRD) uses a tiny, low-power laser to draw an image directly onto the retina of the eye.

The system's tiny scanners use a series of oscillating mirrors which direct a light beam through the eye's iris and on to the retina. The scan operates at a very high rate of 18m pixels a second and refreshes each image 60 times a second. The user sees an image that seems to float about three feet in front, with a resolution of 640 by 480 pixels, which is equivalent to the standard VGA display in PCs. Microvision says that with the colour version, the user will be able to see more colour hues than is possible with today's displays.

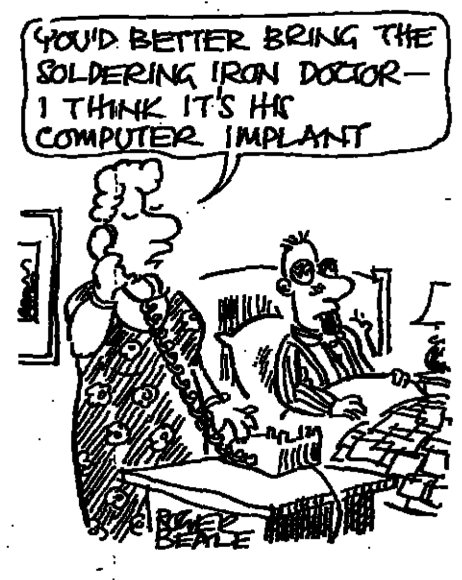
> Implanted software systems will one day remind us of things we have forgotten

A key advantage of VRD is that it uses very little power – just a few nanowatts – making it ideal for future wearable computer systems. Microvision concedes that some people may be put off by the idea of lasers being beamed directly into the eye, but the light intensity is very low, as much as 100,000 times below ANSI safety standards for human exposure to light.

In addition, the company claims that the VRD is not much different from the way that the eye naturally processes images. "It is not about technology, but about the scenario," says Dr Ted Selker, a senior researcher at the IBM Almaden Research Center. "We are studying the sociological aspects of using wearable computers and in what situations they might be useful."

Dr Selker points out that there are many social conventions where wearable computers might be seen as getting in the way when used in group situations. For example, only a few journalists use a notebook computer to take notes when interviewing people because they want to maintain eye contact.

"We've been playing around with a few wearable PCs. One type might be used in a shopping mall and could hang on a belt. It could provide information about all the other people in the mall so that if you wanted to find someone, instead of having a



pre-arranged meeting, you could locate them easily. Also, as you walk past a store, that store could send details about a sale or product directly to you," says Dr Selker.

So far, he and his colleagues have not yet found a compelling business application that would interest company staff in wearable PCs – but these are early days.

Looking to the future, wearable computers are likely to be *implanted* computers, worn inside human bodies. Computer researchers point out that the human brain is as large and as intelligent as it is likely to get. The only way to expand its intelligence will be by integrating it closely with computers, which can be upgraded to ever more powerful systems.

"Researchers have been working on AI [artificial intelligence], but I believe that the term should be IA, for intelligent augmentation, combining computers with humans," said Ms Pattie Maes, an associate professor at the MIT Media Laboratory, speaking at a recent computer conference looking at the next 50 years of computing.

Ms Maes believes that we will have what she calls "prosthetics for the mind." These hardware and software systems will become part of our brains and will dramatically expand human capabilities. They will remind us of things we have forgotten, they will keep track of every moment and will relay precisely the information that we need at precisely the right time.

THE PDA MARKET

Pricing is the key to user-acceptance

From previous page:

how far the UK personal organiser maker has succeeded in creating a market for these products.

"Our PC Companion is slightly bigger than a Psion. It has the footprint-area of an airline ticket, and it's about an inch thick," he says. With conventional AA batteries, users should get up to 20 hours operation between changes, and the power source is cheap and internationally available. This last point is still a big advantage that PDAs enjoy over laptop PCs.

Reservations

Japan's Toshiba has concentrated on portable laptop PCs, recently launching an ultra compact PC, the £1,500 Libretto. But Mr Murray McKerlie, Toshiba's UK product marketing manager, says his company is reserving judgement on the PDA world. "In the past, the PDA market has moved in fits and starts, nobody's really cracked the secret of what users want."

He concedes that CE might change all this: "CE might take off, but Toshiba likes to implement software once there's a standard we can latch on to."

CE is all about creating that standard, but Mr McKerlie admits to another reservation about taking the plunge into the PDA scene. "It's difficult to recoup your investment when the unit revenues are so small."

Pricing is crucial to ... and £500 seems to be generally recognised as the upper limit. Beyond this, users want a very good reason not to pay a little more and buy a laptop PC.

Dell made a reputation selling PCs direct to the public, and today its cheapest portable, the Latitude, sells for £1,749, ($2,833). Mr Peter Watts, Latitude products manager, thinks its wrong to imagine that PDAs running CE will compete head-to-head with laptop PCs: "Our customers are saying quite strongly they don't want to compromise on screen or keyboard in order to get a smaller notebook."

So the PDA makers will be fighting it out with one another to persuade IT-literate executives to purchase yet another gadget. Hewlett-Packard signed up with the CE fraternity, porting the Microsoft environment on to its new Palmtop PC. "This is what the PDA market has been waiting for: an industry standard operating system, as we have on the PC," says an enthusiastic Ms Kirstine Mayall, a hand-held PC business manager at Hewlett-Packard.

In common with others in the PDA market, Hewlett-Packard has always claimed to offer considerable connectivity to larger machines. Ms Mayall denies that this was a marketing ploy for previous generations of palmtop. "Yes, in the past we *did* offer connectivity, but with CE it will be a lot easier."

The Palmtop ... a PC, to shift data to and fro between machines.

Not every PDA innovator is convinced by CE. US Robotics moved into the palmtop arena when it bought out Palm Computing in September 1995. The £299 PalmPilot is a remarkably small PDA, dominated by a screen and notable for its lack of a conventional keyboard – *see picture, page three.*

"We call it a PC peripheral," says Ms Ann Marie-Bourchier, a Paris-based Palm Computing director. Spurning CE for Palm's own graphics-based operating system, the Pilot offers handwriting recognition on the screen.

Potential

According to market analysts at Dataquest, the Pilot could corner 35 per cent of the 2m PDAs that will be sold in the US during 1997. Philips, NEC, South Korea's LG Electronics, Casio and Hitachi are all in the first wave of suppliers launching products on the back of CE.

It is tempting to see all this as further evidence of Microsoft's global conquest. But as companies such as Dell and Toshiba point out, the PDA marketplace is still being defined. CE looks like being a potent attraction to users deterred by any technical effort to carry data over to a PC. But these items are being sold on to a consumer electronics market where price is [illegible].

Bringing home ... [illegible]

RETAIL ADMINISTRATION • By Jola Shillingford

Less time in the office now

Public house managers use portable PCs as an aid to monitor a diverse range of retail services

Staff at Whitbread's retail division, Whitbread Inns, are spending more time in public houses. That's because portable computers mean less time in the office and more time in the pubs they manage.

Whitbread's taste for portable computing began a few years back when it started to use portables equipped with the Inn Master package. This reduced paperwork and gave company auditors more time to spend advising pub managers.

Now the company is running three new pilot projects – for area managers, machine managers, and human resources. Each group has been equipped – as have the auditors – with Toshiba portables. In total, the pilots are expected to involve 200 users by the end of the year.

In January, 25 area managers began using their portables to compare and contrast information from the pubs they manage against the regional average. They do this by downloading the data they need from the company network.

A set of reporting tools, rather like an executive information system (EIS), allows them ask questions in plain English. Colours and graphics can be used to highlight the best and worst performing pubs.

The managers can now spend more time with their client base – pub managers – improving performance, because they do not need to spend so much time popping into the office for the latest information.

Fifteen machine managers have been using the reporting tools – Cognos' Powerplay and Impromptu – since November. They use them to assess the performance of fruit and games machines. The machine managers take information both from Whitbread's large store of information (or data 'mart') and from machine suppliers.

They use this information to identify which types of amusement machine are performing profitably and which have passed their shelf life. Or they can work out how effective a regional marketing campaign was in relation to the rest of the country.

Six retail personnel managers, who work closely with the area managers on staffing, began using the reporting tools in February.

The system for the area managers, machine managers and personnel managers costs around £3,500 per person including the portable, Cognos software, Lotus Smartsuite office software and Memo for Windows electronic mail. However, the company is planning to introduce Lotus Notes messaging and conferencing software, instead of Memo.

Benefits

The main benefit of the system, says Mr David Fisher, development systems manager for Whitbread Inns, is that "a single reporting tool can display a variety of information: profit and loss, staff training data, machine income and so on.

"Staff don't need to be retrained to use a new report. They can gain large amounts of data and turn it quickly into meaningful information, such as the top 10 or bottom 10 performers."

Other benefits of the system include minimising unnecessary travel. "When area managers log on to the network, it's easy for them to collect any information that's changed," adds Mr Fisher.

"They can also e-mail colleagues on a daily basis. This cuts down on trips to the office, which saves a lot of time as area managers are home-based."

Mr Fisher says Cognos tools were chosen because they were flexible and new applications could be created quickly by any user able to set up a Lotus 1-2-3 spreadsheet. Information can be presented in rows, columns, pie charts, bar graphs, or be rotated to obtain different rankings.

"The pubs' business is diverse," says Mr Fisher. "We have large family pubs, young persons destination-venue pubs, and a wide variety of food and drink. We couldn't respond fast enough to new reporting requirements with the Inphase EIS we use for regional managing directors."

This is because Inphase needed programming skills to develop new applications. But as the information to regional MDs improved, the people below them started to demand better operational information.

Now they have it: Mr Fisher says the feedback he is getting is "how did we manage without this before?" as users have more time to spend with their managers – and, in the pub.

Mobile computers are used by managers to measure sales performance levels in public houses

SALES TEAMS • By Geoffrey Nairn

Good news for insurance agents

Notebook PCs allow salespeople to quickly fill in proposals on-screen and spend more time on the road

At first sight, the notebook computer seems tailor-made for insurance agents, but only recently have insurers realised that notebooks are not costly toys but essential tools which enable agents to make better use of their time.

Agents have traditionally hit the road with nothing more sophisticated than an armful of manuals. Some companies would like to keep it that way, for they fear that by giving their agents notebooks, they will spend more time in front of a screen and less in front of a prospect.

The PC industry has had to work hard to overcome this resistance but the effort is finally starting to pay dividends, thanks to the lower prices and greater sophistication of today's notebooks and the realisation that insurers have specific needs.

"Insurance is a bit different from a normal market because the agents are almost never in the office," says Mr Martin Middelkoop, product manager for Zenith Data Systems Benelux.

ZDS is a division of PC maker Packard Bell NEC. Agents have traditionally only returned to their office to do paperwork and even this non-productive "downtime" can be minimised by equipping sales teams with notebooks that enable them to do paperwork on the road.

ZDS last year supplied Dutch insurer AMEV with 420 notebook computers and portable printers. These allow agents to fill in policy proposals on the screen and print out the completed proposal for the client to sign.

The data is sent by modem to head office where the official policy is printed and mailed back to the agent. Notebooks allow salespeople to spend more time on the road, but equipping a large sales force with the latest notebook technology can cost several million dollars.

So, insurance companies want to be sure their investment is worthwhile. The price of the hardware is just a small part of overall cost: software must be developed, agents trained and a support network created to ensure agents can get their notebooks rapidly serviced and their time off the road minimised.

The large German insurance company, R+V, worried about these issues when it sought to equip its 4,200 agents with notebook computers last year. Siemens Nixdorf won the contract with a novel solution to R+V's needs.

Its DM20m bid was based on 486-type notebooks, uniformly configured to reduce support headaches and with two batteries to minimise down-time. The leasing contract requires SNI to supply, configure and support the notebooks in the field for two years.

SNI installed the notebooks with R+V's custom software and then despatched them to the agents. When software needs updating or the notebook repairing, the agent returns it to a local service centre and immediately receives a replacement while the original is 'off the road'.

"The agent does not have to worry about anything," says Mr Hans-Henning Beckers, account manager for insurance companies with SNI's German subsidiary. The agents pay DM200 a month and receive a complete system comprising notebook with pre-installed software, printer and support.

An interesting aspect of the deal is that the monthly payment also allows them to swap their notebooks for a newer model halfway through the contract. This "innovation option" is one of several types of leasing contract that SNI offers through its subsidiary, GVD Leasing.

"Leasing notebooks is not that normal, but more and more customers request it," says Mr Beckers.

R+V, along with many large organisations, was worried about technological obsolescence. By leasing instead of purchasing, it avoids carrying a fast-depreciating non-core asset on its balance sheet. Leased equipment is not recorded on the balance sheet and so does not effect a firm's level of debt or its capital-to-assets ratio. R+V will use the 'innovation option' later this year to upgrade to a newer SNI notebook, the Pentium-based Scenic Mobile 700, for all its sales team.

COURIER SERVICES • By Michael Dempsey

How 600 drivers stay in touch via Videopad

Chronopost, an express parcel service majority owned by the French postal service, handles 100,000 parcels travelling between France and international destinations every day. But it is facing a challenge in the form of a high profile advertising campaign from UPS, the US courier giant,

This competition has concentrated Chronopost's thinking. In an efficiency drive, the company claims to have saved 30 minutes per shift by linking its 600 drivers to a control centre, south of Paris, using a radio data communications network. The crux of this system is a handheld computer from IBM. Every Chronopost van is equipped with a Videopad. Distributed by IBM, this robust little machine normally costs between \$1,500 and \$3,000.

Half of Videopad's 19cm-long face is taken up with a touchscreen allowing transactions to be entered and transmitted by punching the relevant square with one finger. This is important to drivers whose priority is carrying parcels to and from their van. The Videopad contains their daily worksheet, telling staff when and where material must be collected. At each pick-up or delivery point the driver enters a code recording whether the parcel is damaged or noting if the householder is not at home to receive a parcel.

A docking station in the cab of each van allows the driver to flash the status of each parcel back to Chronopost's central computer at Orly. The Mobitex wireless data network handles the traffic, with the docking station and modem powered up via the van battery.

At the end of his shift, the driver returns to one of the company's 54 centres and parks the Videopad in a data cradle where the little machine is interrogated by software running on an IBM PC. This polls each unit according to an identity number, and pulls out any files the driver has neglected to transmit. Instructions for the next day's work are fed into the Videopad. The software in question is known as the Multi Cradle Communications Manager, developed by IBM.

Mr Naji Najjar, a Paris-based IBM manager dealing with the Chronopost project, says the MCCM runs well without intervention from IT staff. "The hubs function without any IT specialists. All monitoring is carried out from Orly."

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INTERNET LINKS • by Philip Manchester

Clever new connections

Telephone equipment suppliers are building GSM connections to the Internet into a range 'super phones'

The Internet and the World Wide Web change the rules for information technology. Electronic commerce, intranets (private networks) and the convergence of computers and telecommunications offer new ways to the use IT.

A shift to low-cost desktop devices – network computers and Net PCs – and different software technology to support them are important elements in this change. But it is not only desktop that is effected. Potentially, mobile computers – especially those connected through wireless services – gain even more.

The stripped-down software technology of browser programs – such as Netscape and Microsoft Explorer – and Sun's Java language suit handheld portable computers and the new generation of smart mobile telephones. Browser software provides a simple and compact way to get information on the Web and Java enables software to be sent to a computer across the network.

"Many companies are mobile enterprises with sales personnel wanting to look up stock levels and place orders while they are on customer sites. The Internet is one way to do this – so we need to make the connection between the computer and the wireless telephone," says Mr Graham O'Keeffe, product marketing director at portable computer manufacturer, Psion.

"In a mobile environment, you want a 'lean and mean' machine. Browsers and Java are ideal for this," he says.

Digital wireless communications traditionally suffer from low bandwidth which limits the amount of data that can be sent.

The Global System for Mobile (GSM) wireless network – now a standard across Europe – allows only 9,600 bits per second (bps)

> 'Mobile users want a lean and mean machine'

compared with 28,800 bps or higher through a standard landline. This means that any way of reducing the volume of traffic over the wireless network is important.

"Our focus on the GSM network is to make the connection as efficient as possible.

"We are working within the limitations of 9,600 bps, so if you can use small Java programs or applets – then there is a real advantage," says Mr Mike Cole, head of mobile data services at the UK-based service provider, UUNET.

Despite the low bandwidth of wireless communications, there are some advantages, however. "GSM gives you end-to-end digital communications – so you don't need modems and you can make direct digital connections. This helps to speed things up. "On top of that, we are offering electronic mail services that allow you to scan headers before downloading the complete message. This again reduces the traffic," says Mr Cole.

Phone equipment suppliers are taking this a stage further and building GSM connections to the Internet within a breed of "super telephones". Nokia started the ball rolling last year with its 9000 product which brings e-mail messaging and an Net connection to a mobile phone with its own built-in screen. "It's basically a hand-held phone with a screen and a keyboard so you can get e-mail, fax and Internet through a GSM network. You can see it in action in the film of *The Saint* – Val Kilmer uses one," says Mr Mark Squires, data manager at Nokia UK.

Telecoms company Nortel plans to take this concept further with the launch early next year of telephones that can run Java software.

Mr Ken Blakeslee, director of business development at Nortel, says it will not be a browser such as a network computer, but a telephone which can carry out some computer functions.

"The Java language lets you bring down special user interfaces so you have a handheld communications centre. You can plug directly into specific Web pages over the GSM network – rather than browsing as you would on a desktop computer.

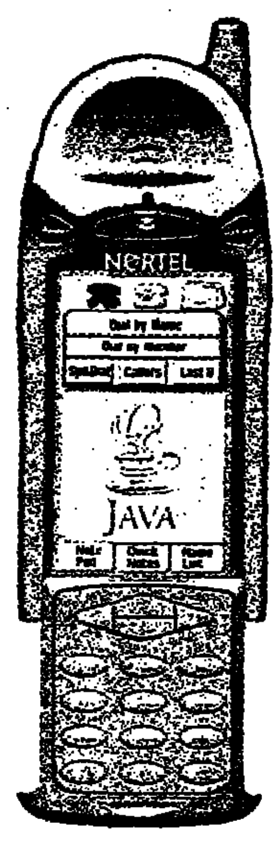
"You can also pick up electronic mail, send and receive fax and use it as a normal voice phone. It has a stylus so you can write on the screen and even draw diagrams for transmission to a fax."

The product – code named Orbitor and demonstrated at the recent BT Innovations exhibition – will be launched in collaboration with specific network services providers.

"It's not a network computer – it's a network telephone and we think – with sponsorship from service providers, we can price it somewhere between high-end mobile telephones and hybrid computer telephone devices," says Mr Blakeslee.

For once, the product will come to Europe first because the US does not have a standard wireless networking system in place.

There are several conflicting wireless standards offering greater bandwidth than GSM, but nothing to compare with European-wide coverage of GSM.



Nortel's network telephone, code-named Orbiter – a communications, messaging control centre that fits in the pocket. The phone, which has a touch-sensitive screen plus stylus pen, receives and organises e-mail and stores a personal contacts directory

Videopad's advantages

Continued from page 5

The cost of implementing this mobile system amounts to £2,000 per vehicle including the wireless communications network. Mr Najjar is proud of the way Chronopost's blue-collar staff have taken to the Videopad. "We made a small carrying case for the machine, so it doesn't bother them when they're carrying a large parcel. Most of these guys found the system increases their own sense of importance."

Chronopost drivers have taken to demonstrating the Videopad to competitors' staff, and have already given it a pet name – 'the gameboy'. There are plans to shift the Chronopost network on to the Internet using France Telecom's domestic Minitel terminals. Customers will be able to enter the parcel number through the Minitel terminal and access Chronopost's own data to find out the location of their delivery. The Videopad seems to have triggered a small revolution.

DATA NETWORKS

Fresh lease of life

Public data networks have failed to take off, but new Internet-based applications will bring new life to them, writes Rod Newing

In the GSM-crazed world of mobile communications, it is easy to forget that there is an established technology that offers far superior functionality at a much lower price. Packet-switched public networks can keep the mobile user in constant touch, using two-way digital radio links, which are always open.

Whilst GSM – which stands for Global System for Mobile Communications, the international digital cellular radio standard – can carry data, it was originally designed for voice communications. Cellular systems are 'circuit-switched', which means there is a dedicated uninterrupted connection between the sender to the receiver. This is required for an interactive voice communications.

In contrast, public mobile data networks are packet-switched: data is broken up into packets, just as it is on corporate computer networks. These packets are routed around the network, allowing thousand of users to share a radio channel. Users are effectively online all the time, being charged on volume of data sent.

There are 29 public packet data networks around the world, as well as a number of private systems. Ericsson and Motorola dominate the market. Ericsson's Mobitex open published standard accounts for 15, with Motorola Radio Data Link Protocol (RD-Lap), accounting for 10. PakNet has two and Cognito and Teleterminal have

Turn to next page

REMOTE ACCESS • By George Black

Demand soars

Remote access allows staff to work at home or while travelling

The demand for some remote access products is set to grow at more than 60 per cent a year for the next three years, according to analysts at the research group, Dataquest. The extraordinary boom has been created principally by the strategy of companies to encourage staff to work more outside their offices.

This enables companies to save on the size and number of offices. But even more important to managements is the fact that that people are productive for more of their time.

Remote access to corporate systems enables them to waste less time by working while they travel on (and wait for) trains and planes.

By not visiting their offices so often, sales people make more calls. When they get home or to a hotel, they can complete a job from there. "The rising demand for remote access is mainly about operational efficiency," says Mr Nigel Moulton, a product manager for the leading network equipment-maker, Cisco. "With a laptop and a modem you can continue working wherever you are and be much more productive."

Where managements are able to get staff to work all or some of the time at home, they are turning to ISDN (Integrated Services Digital Network) as the best means of communicating.

ISDN gives two channels, one of which can be used for voice traffic and the other for data, transmitted at 64K bits per second. It is available in more and more places.

Installation charges in the UK are high – too high, say those who look at tariffs for other European countries – but when compared to the cost of office space in city centres they may be negligible.

Mr Moulton argues that users have been wrongly put off by the high capital outlay for ISDN and have not looked at the overall cost of usage, which is relatively low. "For heavy data users, ISDN is an extremely good investment," he says.

For staff who are mainly on the move, ISDN is rarely a satisfactory option because they are mostly in places where ISDN is not available – customer sites, hotels, or on the road.

For them, the modem is generally the best answer and looks likely to continue as such for several years at least. Connection time is slow and unlikely to improve much, but once connection is made, the system is powerful.

New options for users

The latest models to reach the market this summer offer communications at 56K bps, close to the speed of ISDN. The devices can be as small as a credit card and some cost less than £100.

In the next year, cable modems, which access online services via the cable TV network, are likely to reach the European market.

Another option in remote access which will arrive in a couple of years is ADSL (asymmetric digital subscriber link), a data service over standard copper wires likely to be offered by both BT and the cable operators.

ADSL is expected give the much higher communication speed of 1.5 megabits.

Mr Mike Valiant, product marketing manager for US Robotics, which aims to supply ADSL hardware, says that ADSL will enable people working at home to be part of the office local area network without having to dial up for access.

The asymmetric nature of the system means that it is able to retrieve large amounts of data at a much higher speed than the user gets when sending data. This could prove a crucial advantage for travelling users of the Internet and multimedia applications.

The pricing of ADSL remains uncertain, but if it is cannily tariffed it could take off quite rapidly. Mr Valiant thinks it could become the vehicle for workers outside their offices to take part in video-conferencing.

For the leading network equipment developers, the boom in demand for remote access presents big challenges in supplying easy-to-use and secure systems with adequate support.

The strategies of Cisco, 3Com and Bay Networks are to build or buy enough products to solve all the problems of network integration with so-called "end-to-end solutions".

This has led to a spate of takeovers in the sector, most recently that of the switching systems vendor Cascade by the remote access server company, Ascend. Cisco last year took over Stratacom, a leading producer of switching equipment. This year, 3Com took over US Robotics, the leading modem manufacturer.

"The market is changing so fast we can't ever say that we have all we need," says Mr Robin Hayman, product marketing manager for Bay Networks.

Most of the acquisitions have probably now taken place, says Mr Mark Purdom, a Dataquest analyst. But having a complete product set is not the same as providing end-to-end solutions for users, he says.

To cope with the boom in demand, most manufacturers have turned to distributors and resellers to support their customers. But few vendors have so far established channels that can adequately support users' needs for remote access, notes Mr Purdom.

DISTANCE LEARNING • By Geoffrey Wheelwright

Web-based training moves out of the company office

Thanks to the Internet, an increasing number of US telecommuters now participate in online training away from their central offices

The application areas of teleworking are growing, with training becoming the latest job function that people can now accomplish from their home, using a computer.

With the advent of the Internet, the World Wide Web and the corporate intranet (private network), it is now possible for employees to take on Web-based training, which previously required them to attend instruction sessions at the office.

Interest in Web-based training is growing fast and is starting to take market share from other training delivery methods, say analysts at the US-based market research group, International Data Corporation (IDC) .

"Internet-based training will be a particularly fast-growing market in the coming year as both information system and business unit managers increase their purchases of externally-supplied Internet-based IT and applications software training," suggests Ms Ellen Julian, manager of IDC's IT training and education services research program.

"Online training offers the user just-in-time continuous learning at the desktop, remote training, and access to multiple resources – factors that will help fuel the rapid growth of this training medium."

Distance learning via the Web will be the fastest-growing segment of technology-based training in 1997, says the report. Within the Web-based training segment, Internet-based training will increase more significantly than corporate intranet-based training.

IDC suggest that delivery of training via the corporate intranet is believed to offer the same advantages as does Internet delivery, along with an ability to customise and control training course content. But, adds IDC, IT professionals, surveyed for the report, express concern about the cost of setting up and maintaining training via a corporate intranet.

Non of this is news to UK ex-patriot Mr Amar Dhaliwal, who runs a home-based company called The TrainingNet from an office in north Vancouver, Canada. The TrainingNet's main product is an advertising-funded, World Wide Web-based training directory site *(http://www.trainingnet.com)* designed to help those looking for jobs, training and career information.

Examinations

Increasingly, many of his customers are looking to do both training and assessments of the training's effectiveness over the Internet. By using Internet "forms" on a Web site that link to a database, companies that offer Internet-based training can issue 'exams' from their Web site.

These exams can be filed automatically into a database to quickly generate reports on how online students have fared in their studies - as well as statistics about which parts of the course are most effective and which need to be improved.

According to a New York-based training consultant, Mr Elliott Masie, president of the Masie Center and the host for a conference called On-Line Learning & Training '97, more than 71 per cent of leading corporations surveyed by his organisation reported a 1997 objective, focused on learning via intranet development.

Meanwhile, the top 10 software companies are implementing an internal or external online learning project, he says. But there are hurdles to implementing online learning: "Organisations are actively seeking development tools, delivery systems, third party content, more bandwidth, business models for pricing/charging for online learning and a set of industry standards. Each of these is an opportunity – and a potential hurdle."

Mr Masie says he is not content to merely *talk* about teleworking – he lives it. He divides his time between Saratoga Springs, NY, and a cabin in the Adirondack Mountains of upstate New York. He says that through the use of desktop video conferencing and an e-mail address he keeps in touch with clients, colleagues, staff and friends, "while taking the time to think, write and enjoy the non-technical side of life".

IMPACT OF INTRANETS • By Tom Foremski

New ways to manage information in the age of the Internet

Companies seek to give staff access to the information they need, rather than flooding them with electronic mail and data they do not require

There is no arguing with the fact that intranets – the private networks that use Internet technologies to distribute information across a company – are a great way to overcome many of the problems that companies have faced in sharing information within their organisations.

The use of industry standard technology, cheap and sometimes free software, and making use of a company's existing IT infrastructure of different computer platforms and networks, are the key benefits of intranets.

In addition, intranets can be seamlessly integrated with the Internet, allowing staff from any place with a phone line, to access information from the central office. And with the use of HTML-encoded documents, it does not matter on which kind of computer the information resides.

Such capabilities, even a few years ago, would have been considered an utopian dream. IT experts knew that sharing information within a company that has different computers, different networks, and a wide variety of document file formats, would be virtually an impossible task.

Intranets have changed all this, and now, the problem is how to make the best use of these powerful technologies, how to give staff access to the information they need, rather than flooding them with information they do not require.

Some organisations are using Intranets to try and capture the experience and knowledge of their staff. For example, at Andersen Consulting, staff are encouraged to set up their own web pages and post white papers about the projects they have worked on and the problems and solutions they encountered in their work.

When other staff are working on similar projects, they can search the web pages and draw on a considerable wealth of in-house expertise. Intranets are great for e-mail but with most people already receiving dozens and even hundreds of e-mail messages daily, the usefulness of e-mail can quickly become lost.

Posting information on personal web pages within an organisation is one way for cutting down on e-mail. For example, a manager can post the latest sales figures or monthly report on their web page and simply distribute the page address to staff. They can then access the web page by bookmarking it in their web browser and know that they are looking at the latest version of the report.

US corporations are increasingly interested in using what is called 'push' technology to deliver information to staff, rather than waiting for them to look at their e-mail or click on a web page. Push technology sends out information to a user's desktop PC without them requesting it.

This technology has been pioneered by California-based Pointcast which uses its own push technology to send out news stories from different sources to more than 1.5m subscribers. It uses a television model, in which subscribers 'tune in' to channels of information.

"When we showed Pointcast to senior executives at large companies, they wanted to know if they could use Pointcast to send out their own information to staff. They see a value in broadcasting corporate information, rather than putting up the information on a static web site," says Mr Gregory Hassett, chief technical officer at Pointcast.

The company now offers a way for corporations to broadcast information to their staff and the whole idea of push technology has become a hot subject. California-based Marimba with its Castanet technology does away with the web browser and allows subscribers to choose channels of content.

Marimba recently announced an Intranet version of Castanet. A key feature of Castanet is that it uses the cross-platform Java language and so runs on all types of hardware platforms and it can be also be used to distribute and update software programs on PCs connected to intranets.

"Castanet for Intranets is receiving a lot of interest. It allows administrators to send out channels of information, send out software upgrades and also specify who is allowed to subscribe to key channels," says Ms Kim Polese, CEO of Marimba.

While intranets are often built using mostly existing IT resources, they do encourage a lot more network traffic, especially if staff are using bandwidth-hungry applications, such as desktop videoconferencing.

Intranets usually have to be upgraded to handle the extra traffic which means expensive servers and network equipment. But there are ways to make Intranets work more efficiently and some of the technologies are already present but are not being effectively used. IP Multicasting is a technology that can dramatically decrease the amount of traffic on Intranets.

While many large computer and software companies have joined to promote the increased use of IP Multicasting, they point out that the technology is already in many of the routers that run intranets and that it just needs to be turned on.

IP Multicasting works by sending a single stream of data which is then split into multiple streams at the router closest to the subscribers. This is better than sending multiple streams of data, one for each subscriber across the entire network. It only works with sending real-time data, but it does cut down on network data traffic.

Adding extra capacity to serve the increased information flow on intranets is inevitable for many companies. A recent survey by US market research firm Softbank Forums found that out of 150 companies surveyed, about one half plan to increase spending on intranet products by between 30 and 100 per cent.

This shows that companies are realising the benefits of Intranets and that it is worthwhile improving what has become for many organisations a vital technology that helps them do what they need to do

FT IT

Software at Work

Here and on the following three pages, FT writers look at the benefits of efficiently sharing information within a company

INTERNET-BASED VIDEOCONFERENCING • By Geoffrey Wheelwright

A global candid camera

Suppliers are aiming to bring low-cost videoconferencing facilitities to home users

Internet-based video conferencing is coming to a desktop computer near you. For less than $1,000 (£620) it is now possible to add video-conferencing capabilities to your personal computer. Anyone with an appropriate sound card, plug-in camera and an Internet connection is now a potential user for this most futuristic of technologies.

The system which enables this is a new breed of software designed to provide telephony and video-conferencing functions via the Internet. The latest example of it came in late February with audio specialists' Creative Technology's announcement of its new Video WebPhone, Personal Version.

The company promises that with Creative Video WebPhone, users will be able to see and speak to another person anywhere in the world for the price of a local Internet connection. The company is so keen to get people using this software that it was introduced at a special introductory price of only $9.95.

Video WebPhone is designed to allow users to conduct either a single video conference call or a multi-site audio conference call with multiple audio channels. In addition, because the calls are being made from one computer to another, it is possible to display any computer-created work over the audio/video conference line. This allows people, for example, to give narrated live computer-generated presentations over the same line as their audio or video conference.

And the company says that by selling it for less than $10, Creative hopes to dramatically increase the use of videophone technology over the Internet.

"Creative's goal is to get videophone technology into the hands of as many consumers as possible," says Mr Lung Yeh, vice president for the communications and Internet division at Creative.

It does not hurt, however, that users really need a good sound card with "full duplex" sound capabilities (such as Creative's latest SoundBlaster range of sound cards) and a plug-in video camera, which Creative has also just announced. The company unveiled the US$169 video camera (known as the Video Blaster – WebCam) on the same day as it made public its plans for the Video WebPhone software.

The camera does look to be keenly priced for something that can get you started in videoconferencing. It includes a copy of Video WebPhone and the software needed to create multimedia applications and starting browsing the Internet.

Compact system

Using the software that comes with Video Blaster WebCam, the company says users will also be able to capture and transmit still and live video. Creative says that the digital colour camera is compact enough to be placed on top of a monitor or PC and it plugs directly into the printer port, so that it can even be used with notebook computers to take digital still pictures, such as snapshots.

Creative, however, is not the only company offering low-cost video-conferencing. An intriguing alternative comes from a North Carolina-based company called C-Phone Corporation. It has developed a gadget that hooks up to the TV set to allow users to make 'videophone' calls over a standard telephone line. Known as C-Phone Home, it is a self-contained TV set-top box operated by a wireless remote control and microphone.

With the TV set turned on, the company says a video call can be speed dialled or answered via the C-Phone Home handheld remote control by pushing just one or two buttons. It uses any standard TV set to present the audio and video of the person being called. On-screen text menus are used to operate the system.

The system connects to a TV just like a VCR. Phone calls are handled by setting the TV to channel 3 or 4. The TV's auxiliary jacks and Picture-in-Picture (PIP) can be used as well. Any standard phone line is connected to C-Phone Home just as if it were an extension phone, answering machine or fax machine.

C-Phone Home is approximately the size and shape of a cable TV converter box.

In the US, C-Phone Home has a suggested retail price of $349.95 plus a monthly video network subscription fee of $19.95.

INFORMATION OVERLOAD • By George Black

It will get worse before it gets better

Only a tiny fraction of the data now being shifted around is ever used

A common complaint was once: "Not enough information." Now, the cry is: "Too much!"

As the chief executive of ICI, Mr Charles Miller Smith said recently: "Almost overnight, we've reached a stage of information overload."

The volume of information, if that is the right name for it, is growing exponentially. Some companies are upgrading their Internet gateways almost weekly in order to be able to receive more data – most of which they do not need.

Electronic mail adds to the problem. Now that everyone uses it, it often seems not much easier to get a reply to an e-mail message than to a phone message. In-boxes get stuffed with junk e-mails and are frequently ignored by their owners.

Overload is likely to get worse before it gets better, because increased bandwidth will tempt users to gather far more information than they do at present.

The solution could lie in new forms of software which carry out the extraction, organisation and selection of information for the needs of the individual user.

Tools of this kind could provide a much more powerful method of managing information than today's browsers.

A principal aim of the research and development work going on in this area is to develop personalised information and message services, so that people receive the material which interests them and nothing else.

Mr John Singel, global head of the IT practice for management consultancy Price Waterhouse, says the issue is "how to find a needle in a huge haystack which is rolling by."

Software agent technology can help, he says. Price Waterhouse developed such a system for him, picking up news about company management changes in which he was interested.

"This proved that agent technology can work well, provided you can be reasonably specific about what it is you want to know," he says.

Several start-up software developers in the US have products with similar functions. Grapevine Technologies' product Grapevine, for example, scans information and directs it to certain users according to their stated areas of interest.

Intelligent agent software can be applied to monitor an individual's use of a system and learn what the user wants and does not want to know from what he does day-by-day.

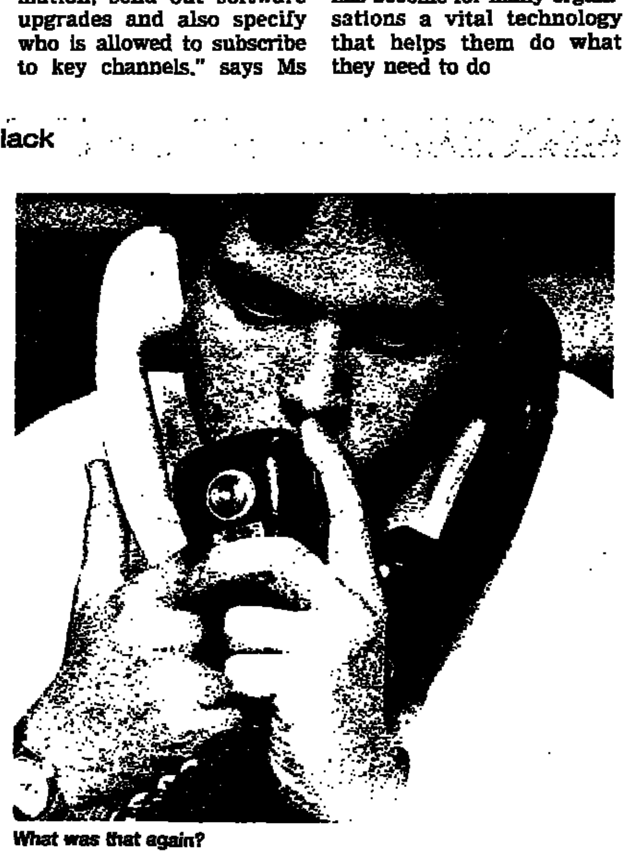
Lotus Notes, the leading groupware product from IBM's Lotus Development subsidiary, contains both filters and intelligent agents.

Filters on either client or server machine enable users to block, for example, copies of documents from all but a few important colleagues.

Agents will fetch what the user wants to know about – they will send an e-mail to notify him of significant changes in competitors' prices listed on its Web site.

"Filters are not very intelligent, agents are the better way forward," says Mr Jim Moffat, marketing manager for Lotus's e-mail and groupware products.

Neither filters nor agents are so far widely exploited by Notes users, he says, mainly because it takes time to train people to do so. Agents are behind the major change in the past year from "pull" technology, by which users have to find their own information, towards "push" technology, which delivers the type of information they have requested to their screens.



What was that again?

Push technology, also somewhat misleadingly known as "broadcasting", has become a confusing battleground as start-up companies bring their innovative software products to the market.

Many of these new systems draw on the techniques of artificial intelligence and knowledge-based systems which have been developed gradually over the past 20 years.

Management consultancy KPMG subscribed to press cuttings services, but found they responded too slowly and often picked irrelevant items.

So it evaluated a number of agent software products and chose Desktop Data's Newsedge to run on its intranet. It delivers news about clients, competitors, markets and industries as soon as it breaks.

KPMG's UK director of information Mr Peter Chivers says that such tools need to be carefully managed because there is a danger that "push" technology can exacerbate the overload.

According to a study by the Ovum consultancy, software of this type will become a catalyst to electronic commerce on the Internet.

Researchers at Yankee Group expect that push technology, or desktop delivery systems as they call them, will cut the amount of surfing that Internet users do.

The new software is not short of users willing to experiment, as companies struggling to cope with information overload are keen to try anything that could help lighten their burden.

As Mr Singel of Price Waterhouse comments, "only a tiny fraction of the data that is being shifted is ever used. If people could find a way to limit that and stop wasting bandwidth, there would be major time and cost-saving benefits."

It could be worthwhile to invest some of the time of one or two people on the staff to save a lot of time for the rest.

Some companies have compiled databases or bulletin boards for special interest groups and appointed custodians, whose job it is to check the content daily, ensure that queries are getting answered and remove material which is out of date, frivolous or no longer relevant.

This may seem a step back to a labour-intensive procedure, but if the database is highly valued, the effort

DATA NETWORKS

Wider applications emerge

From previous page:

one each. These systems are utilised by application providers who have developed industry-specific solutions for a fairly narrow range of markets that depend upon keeping fully mobile workers connected to their office networks.

These workers include field service engineers and drivers in industries such as, transportation, parcel delivery, fuel distribution, point-to-point couriers, retail and manufacturing distribution, breakdown and recovery, IT services, utilities, emergency services and traffic control.

Heavy usage of a switched network, such as existing GSM data, is expensive. "Voice technology and the capacity required for a switched connection requires more equipment," says Mr Richard Harris, managing director of Cognito, operator of a proprietary UK system that predates both Mobitex and Motorola.

"I'm told that a GSM base-station costs £250,000, whereas ours is only £20,000. They need thousands of base stations and we only need hundreds," he says. "Whereas voice ties up a whole channel, we have 5,000 simultaneous users on a channel. We are not just cheaper, we have no concept of the line being busy!"

"Mobile data has been on the verge of a significant breakthrough for the last eight years, but it has failed to happen," says Mr Jim Schoenenberger, managing consultant with PA Consulting, the communications and management consultancy.

"It has been a technology waiting for a problem. Applications in the market that demand mobile data haven't been sufficiently compelling to make the market take off. The 'killer application' has been missing."

As with everything, the Internet may change this, especially when combined with the new generation of personal digital assistants, Java telephones and other mobile devices. "Mobile packet data has been about to take off for five years, but a new generation of Internet-based applications will transform it," says Mr Ken Blakeslee, director of business development/wireless terminals at Nortel, and chairman of the UK Mobile Data Association.

"Sending important e-mails or information using Internet push technology to a fixed location doesn't make sense," he continues. "Many users want real-time information wherever they are, so packet data networks provide it. Users might want every score in a game or the winning number in a lottery notified to them immediately. We already have the software technology to prioritise our messages, so we just get the ones we want."

These new applications will help to encourage the GSM services to invest in adding packet data to their switched data services. The Generalised Packet Radio Service (GPRS) is part of the GSM standard and should be available within 12 months. It will integrate voice and data, allowing users to download a file or applet in the background, whilst talking.

GPRS will have the cost advantage of providing a single terminal for voice and data on a single network, but Cognito will be able to achieve the same with different dedicated networks.

Mobile executives have looked at their cellular data communications and realised the value of mobile data, says Mr John Jervis, managing director of RAM Mobile Data, which operates a Mobitex network in the UK. "They are often in meetings and can wait for their mail, but immediate communications are mission-critical to their field workers."

The StarTAC GSM digital cellular phone is claimed to be the world's smallest and lightest GSM digital mobile data solution

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By Denise Fellows, head of UUNET Consulting

Business and the Internet – beyond the hype

Companies are now moving beyond their first tentative steps on the Internet by developing Web sites as effective sales and marketing tools


Denise Fellows: the vision of the virtual office draws closer

The Internet may have taken the business world by storm, even leading to some panic in the IT department and perhaps a little fear in the boardroom, but the frenzy is over. What remains is the realisation that what excited us was a real business tool and not the hype surrounding its potential.

It will not be the last time that a new and challenging technology has passed through hype to scepticism. Very real doubts about security still concern even those organisations keen to take advantage of global communications, the 'virtual' office and on-line trading.

Secure transaction systems have arrived but the real challenge lies in educating and reassuring potential users. Experience and confidence will lead them to accept new methods just as they took to credit cards and cash dispensers. Perceptions of the Internet as an insecure trading environment are lessening as a variety of applications, many using military-style encryption coding techniques, are developed.

For companies really to benefit from the Internet, it must be built into their strategic planning. That also requires consideration of how and by whom Internet services are to be implemented within the organisation. This needs proper investment in terms of time and finance and, of course, 'buy-in' at board level.

In the past, some companies may have been tempted to jump on the Internet bandwagon through fear of being left behind. For others, Internet developments within a company have been halted at a moment's notice if the main decision-maker does not understand the real business benefits.

Now that the Internet is maturing, companies are moving beyond those first tentative steps, developing Web sites as effective sales and marketing tools, using e-mail as a main form of communication and gaining cost, convenience and legacy benefits from intranet development.

Intranets (a corporate internal network running on, and benefiting from, Internet technology but protected from the outside by firewalls, encryption coding and gateway systems) are secure, easy-to-use and low cost; therein lies the appeal. Security throughout a company can be reinforced through the use of an intranet: thus, companies can optimise their use of the Internet without jeopardising corporate integrity. Intranet champions describe this ease of use with the mantra: "I see, I point, I click."

Naturally, there are resource constraints to such a commitment and the move towards the removal of paper-based systems in favour of the paperless, virtual office is not an easy step. However, the need to improve communications, reduce costs and increase productivity is driving organisations on. The power of information cannot be under-estimated as rapid retrieval and communication of correct information becomes a key asset.

Many organisations begin by putting telephone directories or company handbooks on the intranet, allowing users on multiple platforms to access core information which is accurate and up-to-date. Although it may seem a mundane use of the intranet, it enables organisations to remove paper-based versions which are out-of-date before they are even printed and to communicate more efficiently.

Electronic production of a company handbook can also save a company more than 25,000 for each edition and in this way, return on investment can be proven within two to three months of intranet installation.

Companies are beginning to be more creative in the way that they use the intranet to share information within the organisation. For example, intranets can be integrated with application databases such as those containing product and pricing information held on legacy systems.

Those managing mobile sales forces will appreciate the immense business advantage this offers, with everyone sharing the latest, up-to-date information at all times. Intranets allow different hardware platforms to work together – a true panacea for the ills associated with proprietary systems.

As the business benefits of the intranet become clearer, the vision of the virtual office draws closer to reality. Is it unrealistic, then, to plan e telecoms market, SLAs are now being developed by the leading Internet Service Providers who, now that they control all the connections in their global networks, are now in a position to guarantee this.

Browsing through Reuters recently, I came across an interesting Extranet user. SBC Warburg, part of the Swiss Bank Corporation, employs research analysts who produce and distribute reports to in-house staff and clients.

With more than 100 analysts in 15 countries delivering information to 2,000 bank staff and more than 50 leading clients, the cost of printing and distributing all this in paper form was reaching millions of pounds. To save money, the bank turned to Internet/intranet technology and developed a system to distribute this electronically.

The solution was to provide a common system of communication, based on Internet standards, between the companies which was secure, 99.9 per cent reliable and accessible only to SBC Warburg and its clients. The result is that users each have a computer from which they can access all three: the Internet, the Extranet and their company's intranet.

A good example of effective business use of the Internet in the UK is the Virtual Showroom, the country's first Internet-based car showroom. Supported by 500 motor dealers and dealer groups, the Virtual Showroom has more than 15,000 vehicles to choose from and allows subscribing dealers to offer their customers a shop-at-home service.

Consumers can visit these dealers via the Internet from the comfort of their homes or offices, making the search for suitable cars to test drive an effective and rapid experience. They can tap into the interactive catalogue of new and used cars, searching for vehicles by make, model, mileage, value and other variables. They are also able to view a vehicle's full details including a photograph, all the necessary finance options and can search for appropriate dealers by franchise or location.

To date, the project has been described as "an enormous success" with participating dealerships reputedly increasing their marketing area by 40 per cent.

There is much to be learnt from Internet experiences of other organisations. Raising awareness and helping enterprises exploit this new technology is essential for progressing the development of the Internet.

For this reason, the Financial Times, in association with UUNET UK, is launching the FT Business Web Site of 1997 *(see details, above)*. We want to hear from those organisations who believe they are pioneers of the Internet and also from those who have made a strategic commitment to it, having begun to put the foundations in place to build on that commitment.

FT Business Web Site of the Year

In June, the FT Review of Information Technology will be launching a competition to find the FT Business Web Site of the Year.

Full details and electronic entry forms for the competition will be available on the World Wide Web and in the June issue of Doing Business On-line, the FT-IT magazine guide which will appear in June.

The competition is sponsored by UUNET UK, Europe's largest Internet service provider.

The FT will be looking for organisations which have used their Web site to achieve commercial

advantage in their particular market and can display evidence of the following:

- Business transformation.
- Innovation.
- Measurable financial benefits.

There will be category prize winners and an overall winner who will be named as 'FT Business Web Site of 1997' which will be announced at an awards ceremony in November 1997.

Details of the winning entries will also appear in the Financial Times.

Competition entries will be invited for the following categories:

- Finance.
- Large organisations (excluding those in the finance sector).
- Small and medium-sized organisations (employing under 250 employees).
- Public sector.
- Not-for-profit organisations.

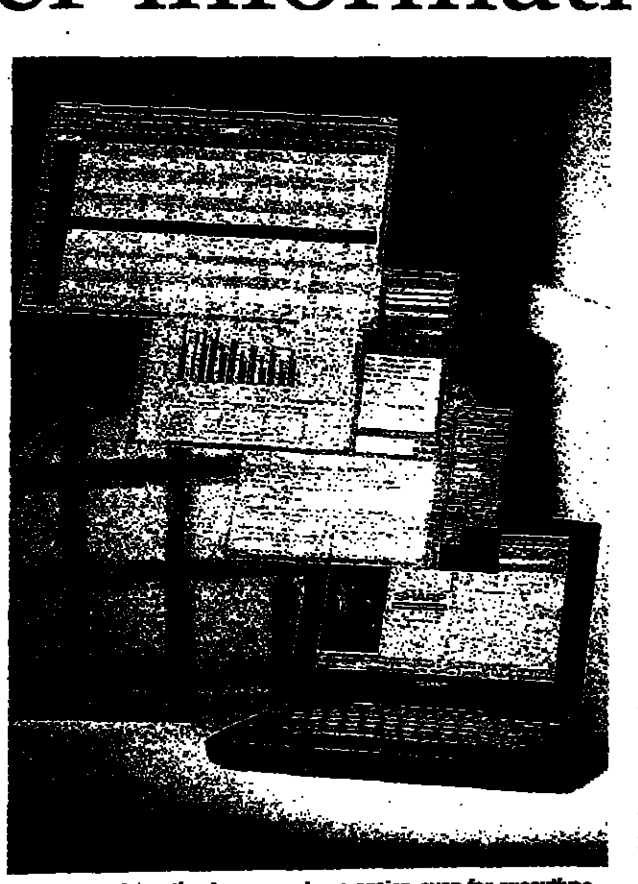
The competition will be open to companies in and outside the UK that fall into the above categories. Entrants' Web sites must have been established before January 1, 1997.

The deadline for final entries is August 30, 1997.

SOFTWARE TOOLS • By Nuala Moran

New and easier ways to filter information

Innovative software tools now allow businesses to access the right information at the right time


Access to information has never been easier, even for executives on the move. Pictured here is a wide-screen notebook computer, the Sharp WideNote, which offers viewing capabilities for the Internet, multimedia and spreadsheet use

Internet technology is giving users at the desktop integrated access to all the corporate information stores via intranets (private networks), and to a world of public information on the World Wide Web.

The challenge now is to put this information to productive use by enabling non-technical staff to filter relevant content from the mass of available data.

Until recently, the software tools available for analysing corporate databases, such as user query tools, report writers, online analytical processing (Olap), data mining and data visualisation tools, required users to have quite a high level of technical knowledge.

These tools are now being adapted for business, rather than technical staff, allowing users to create semantically valid, complex queries, without any knowledge of database structures or of SQL, the computer language which is used to compose database queries.

These tools are referred to as multi-dimensional because they are able to draw down information from several corporate databases, perform a range of analyses and present the results in a ready-to-use form.

Mr Charles Nicholls, marketing director of Business Objects, the French company which is the largest supplier of Olap software, says that in the last year such tools have changed dramatically, becoming far easier to use. "Until recently you had to understand the database structure – now Olap products are genuinely designed for the end-user, giving them access to data in business terms."

As a result, he says, these tools are on the verge of becoming commodity products. For example, the oil company Shell; Defense Medical Logistics, a US medical insurer; and the former AT&T company, Lucent Technologies, have each bought 10,000 licences for Business Objects' software.

"This shows companies are trying to put these tools on everyone's desk because they recognise that the con- production."

Mr Rob Vonderhaar, general manager of marketing for the Canadian software company Speedware Corporation which sells another popular Olap tool, Esperant, notes that putting these tools on every personal computer is not just a matter of improving the user interface. "You have to be sure that in the hands of a non-technical end-user, these tools will only give the right answer. It is frighteningly easy to create queries which give the wrong answer."

While Version 3 of Esperant was for mid-level analysts, Version 4, released earlier this year, can be used by non-technical staff.

"Our target is the empowerment of business professionals by giving them the information they need to do *their jobs* better and more effectively."

Solution

The end-user tools now available for querying corporate databases cannot yet be used for accessing information on the Internet because the tools are not Web-enabled and most of the databases are not *structured* for SQL queries. However, there are moves to remove these

Media, for structuring information on Web sites, which it is giving away to public information providers.

Mr Vonderhaar says the motive for doing this is that it adds value to the Esperant product. But at present, large organisations are concentrating more on using the Internet to distribute information, rather than to access it.

"Intranets are a very low-cost way of distributing information," says Mr Nicholls. "The ability to publish on a Web server is extremely powerful, and so the first phase of corporate Internet use is about distributing information, pushing information out to the boundaries of the organisation and beyond."

For example, the pharmaceutical company Eli Lilly recently purchased 5,000 Business Objects licences and 11,000 Netscape browser licenses. "The company is using this software to give thousands of staff access to information on all aspects of its production processes, allowing them to pick up any problems in manufacturing and share them with colleagues around the world, and with suppliers," says Mr Nicholls.

Until end-user tools are

best approach is for business users is to import data and analyse it *in situ*. However, using the Web as a corporate information resource remains problematic. Even though browsers are acquiring features, such as software agents and bookmarks to help navigate the Web, finding the right information still requires users to go out and surf for it.

"In business today, the ability to access the right information at the right time is absolutely critical. The problem is that technologies which promise this ability, namely the Internet and corporate intranets, are flawed in their delivery.

Problems

Rather than giving users the tools to assimilate the right information into useful knowledge, they are overloading them with too much irrelevant dross," says Dr Mike Lynch, managing director of Autonomy Systems, which specialises in intelligent agent and personalised information management systems.

In April, the company released its first product for corporate servers, Personalised Content Push Server, which enables content providers to deliver information in a personalised form.

The Push Server is an intelligent information engine which covertly observes a user's area of interest, and then draws related articles to the user's attention.

When an article is selected by the user, a software agent will examine its content and automatically create a list of related items. The Push Server will also respond to overt queries in plain English and retrieves information based on the user's specific requirements.

The product is used by Line One, the proprietary Internet service launched in March by Springboard, a joint venture company owned by News Corporation and British Telecom.

The need for some means of managing information on the Internet is demonstrated by the rapid growth of agent software, says Ms Christine Guilfoyle, author of a recent report on agents, by the market research group, Ovum.

"Two years ago, the focus for agent technology was network management and groupware applications. Now agent applications are focused on the Web and the growth of the Web has

■ INTERVIEW • Rod Newing talks to **Philippe Courtot** of Verity, the US-based IT company

Coping with the deluge of data

Technology developed during the cold war is helping organisations to cope with the information explosion

Analysts at the Meta Group estimate that the amount of private information stored globally doubles every 12-14 months. This information explosion is the result of the proliferation of personal computers and departmental servers which has allowed individuals and workgroups to create documents and manage information to meet their own needs. As a result, there is a massive amount of information which needs to be retrieved and shared internally.

"There is now a greater volume of information than can be searched manually," says Mr Philippe Courtot, chairman and chief executive of Verity *(http: // www.verity.com)*, a leading provider of search and retrieval applications in enterprise computing.

"Surfing the Internet is impractical with so much data, so you need a different metaphor. Users need information presented to them in *a way which is personal*."

Verity was formed as a spin-off from Advanced Decision Systems (ADS), a US government-funded project to automate the process of finding information.

ADS created a software technology which reads documents, allowing users to find stored information in response to a specific query. It can also monitor incoming documents to find anything which is of interest to individual users. Because the entire document is read, the results are always accurate and are delivered in order of relevance to the user. The commercial product that Verity has come up with is 'Topic'.

Vast electronic archives

The original project was launched because the US Central Intelligence Agency was interested in using technology to help it find information in its vast electronic archives.

"Topic was soon used in the White House and by the National Security Council," says Mr Courtot. "It was a natural move to the US government and to world security agencies. From there, it soon moved to large corporations."

Verity was ideally poised to help users cope with the enormous volume of information on the Internet. "We knew it was important, so we sought out Netscape as a partner," says Mr Courtot.

"If you know what you are looking for, you can describe it in words and Topic will find it quickly," explains Mr Courtot. "The problem is if you don't know what information you want, because you don't have the words to

found by asking corporate librarians to gather it together. They did this on an iterative basis, as they searched through catalogues and indexes, refining their queries as they worked to improve the quality of the result. This doesn't work any more because there is too much information."

Organisations now have to


Philippe Courtot: information overload can stifle decision-making

give direct access to information to users because they can no longer afford to get specialist corporate librarians to search. Software vendors such as Verity give end-users tools to navigate through the information available, without reading it, and guide them down a path by giving them choices, such as: "Do you want Europe or North America?"

Mr Courtot is keen to point out that Topic is far more effective than the popular Internet search engines because it reads each document and therefore returns a more accurate answer to queries. "The search engines on the Web tend to return thousands of irrelevant answers," he explains. "If you type in 'President of the United States', Lycos and Yahoo! it will give you 10,000 answers – and the first few may not even mention Bill Clinton."

The technological challenge which Verity faces is considerable. Users need to be able to search, retrieve and filter information in the

The technology also needs to cope with dissimilar document types, incompatible information sources and geographically dispersed data stores.

Mr Courtot has already approached these problems by introducing a large partnering programme. More than 100 applications are indexing their information with the Verity format, including Documentum, Informix, Lotus Notes, Netscape, PC Docs and Sybase.

Verity has partnership agreements with IT vendors, such as AT&T, Compaq, Microsoft, Object Design, SAP, SCO and Tandem, as well as with information providers, including Knight Ridder, Time Warner Pathfinder and FT Profile, a sister company to the Financial Times.

The accelerating growth in the amount of information is going to create problems – 90 per cent of inventions have been in the last 50 years and 90 per cent will be made in the next 25, predicts Mr Courtot. "The answer is for the system to categorise information by understanding the nature of the document. Computers will never be perfect for categorising, so you must ask the publisher to categorise it. You need the system to automatically create categories and an abstract, which the author can then edit. We have to minimise the iterative process which the CIA

for information, rather than reading through it, raises some important issues. Scanning a newspaper or other document may expose a reader to new ideas and stimulate innovation, a process which may be lost if we use computerised tools, such as Topic. "Innovation is in the individual, not the information," says Mr Courtot. "Users will get more knowledge as they browse information structures by discovering a new category."

Expanding intelligence

The computer age "expands the opportunities for humans to innovate," he adds. "Part of man's evolution has been the ability to use tools and learn new ways to apply them. Today, Microsoft's *Encarta* encyclopaedia is a good start in presenting knowledge.

"Eventually, with virtual reality and human gene mapping, we will extend our lives. When we can decode the genes, virtual reality will give us a major new tool to shape the brain. Human intelligence hasn't grown very much, but I believe it will."

With ever increasing volumes of information, users face a danger of not having all the information relevant to an important decision, so products such as Topic are going to be increasingly important. "With information becoming available at an accelerating rate, the challenge is to find the right type of information with minimal effort," concludes Mr Courtot. "If we don't, decision-making will become stifled by the demands of finding and managing the information needed."

Philippe Courtot, a Basque-born and raised Frenchman, earned degrees in electrical engineering and physics at the University of Paris.

A former chief executive of Thomson-CGR Medical corporation – now a division of GE Medical – his personal achievements include the Benjamin Franklin Award from the Saturday Evening Post *for his role in promoting a national awareness campaign in reaching more than 75m people in the promotion of the life-saving benefits of mammography screening.*

His association with Verity began during his tenure as

VIRTUAL REALITY • By Geoffrey Nairn

Fresh opportunities emerge on the Web

PC-based systems are helping to drive down the cost of virtual reality. Training has become a fast-growing area for the technology

Virtual reality is often described as a technology in search of a market, but thanks to the Internet it may finally have found one. Web-based virtual worlds are bringing VR to a wider audience and, coupled with the tumbling cost of VR technology, could breathe new life into an industry that has failed to live up to expectations.

"We sense that the real opportunities for VR are on the web," says Mr John Chiplin, chief executive officer of UK company, Superscape VR.

Superscape is one of three VR pioneers that floated on the London Stock Exchange in the 1990s, hoping to ride the wave of interest in VR. The market failed to ignite, however, and the companies have struggled to grow while continuing to lose money.

One of the firms, Virtuality, called in the administrators in February. Many potential customers view VR as an expensive toy and the industry admits its past marketing efforts have not been well-focused.

"*VR has been a technology* in search of a problem and there are so many potential applications that it can be bewildering," says Mr Charles Grimsdale, managing director of Division, the third VR company with a London listing.

The high cost and complexity of traditional VR technology has also turned off potential customers. "For many years, VR has just been too difficult," says Mr Stefan Hallin, president of Swedish company, Prosolvia Clarus. With 1996 sales of $32m, it claims to be one of the largest VR companies.

As with Division, Prosolvia focuses on high-end software to visualise designs for new products or buildings. This "virtual prototyping" offers advantages over the physical models traditionally used to test designs and is already popular in the automotive industry.

But only a handful of companies can afford the dedicated facilities required for high-end virtual prototyping. The VR industry is thus looking elsewhere for new growth and, in particular, to cheaper PC-based systems and Web-based virtual worlds. According to the UK market research company, Ovum, these new areas could push VR into the mainstream and create a $1bn market by 2001, compared with just $135m in 1995.

Training is the fastest growing area of VR, thanks to the arrival of low-cost PC-based systems, and it has given many firms their first exposure to VR running on standard office PCs.

Superscape pioneered PC-based VR with its VRT software and one customer is the UK subsidiary of Volkswagen, which is using a PC-based VR program developed with VRT to train mechanics to find electrical faults in cars.

The latest PC technology can run quite sophisticated VR applications. "A PC and a $300 accelerator card can deliver today what a Silicon Graphics machine delivered three years ago," says Mr Hallin.

The high-end VR software of Division and Prosolvia traditionally needed Silicon Graphics workstations costing $250,000 or more – beyond the budget of many companies. These two companies have thus launched PC versions of their software to broaden the market and Division claims 20 per cent of its sales now come from PC users.

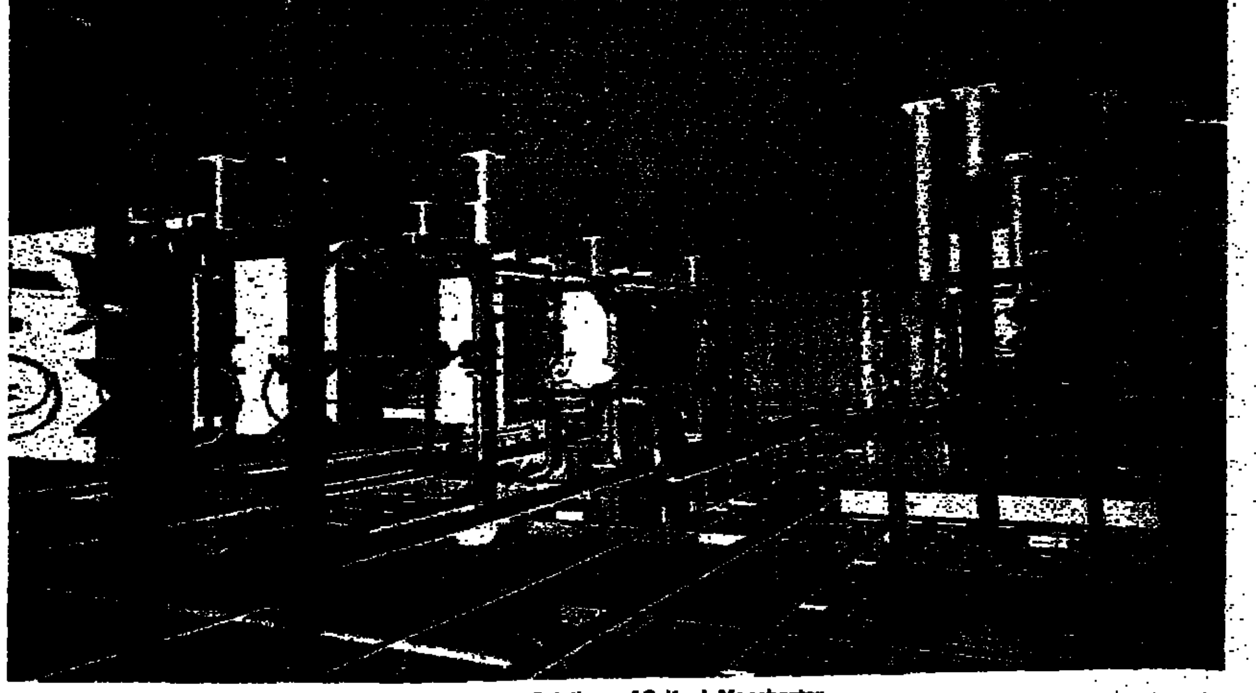
PC-based systems are helping drive down the costs of VR, but the factor that will really popularise the technology is the web, and in particular, the Virtual Reality Modelling Language.

VRML is a standard for creating virtual worlds on web sites. It opens up a wealth of possible applications, from virtual shopping centres to web-based 3D catalogues and collaborative engineering. *(see report on Cern, below).*

BT, the UK phone company, is researching using VR to offer new communications services and earlier this year it created a web-*based virtual world to allow* 2,000 viewers of a TV program to interact on the Net using "avatars" – virtual characters – and VRML browsers.

The VR industry has for years created niche one-off solutions but VRML should bring critical mass, says Mr Graham Walker, manager of the project. VRML allows 3D models to be efficiently transmitted over the Internet or corporate intranets and "navigated" using any VRML-compatible browser.

Both Netscape and Microsoft will include VRML in their new browsers due later this year. Other technologies exist for creating virtual worlds on the Web, such as Superscape's Viscape, but web surfers must download special software before entering them. By adopting VRML, this barrier is overcome.



Virtual reality view of a petrochemical plant, created by VR Solutions of Salford, Manchester

"Content creators can count on millions of people having a VRML browser on their computer," says Mr John McCrea, marketing director at Silicon Graphics, which led the creation of the VRML standard.

The traditional VR companies argue their proprietary VR technologies are superior to VRML, particularly for serious applications.

"VRML is aimed at entertainment and today does not offer anything our manufacturing users require," says Division's Mr Grimsdale. But standards wars are rarely won on technical merits, and the traditional firms know that if they do not grasp the opportunities provided by web-based VR, someone else will. Last month, for example, Microsoft revealed it was working with a young software firm called ParaGraph to create a virtual world for the Microsoft Network.

The established VR companies know they ignore VRML at their peril. "A year ago we took the decision to scrap our proprietary file formats and use VRML," says Mr Hallin of Prosolvia. The company has built a set of "extensions" on to the VRML standard to allow its software to offer high-end features not included in the standard specification.

Division is sticking to its proprietary file formats for the time being, but in February, it joined a committee to improve VRML so that it will support the virtual manufacturing applications that Division offers today with its proprietary technology.

"By next year, VRML will have evolved into a standard that can address manufacturing needs," says Mr Grimsdale.

VIRTUAL REALITY AT WORK • International case study by Geoffrey Nairn

The world's most complex machine takes shape

The European Cern project is like a giant jigsaw, created by scientists from more than 300 physics research institutions

Cern, the European laboratory for particle physics, is pioneering the application of virtual reality in engineering with an ambitious project to design the world's largest particle accelerator, using web-based VR models.

The Large Hadron Collider will cost more than $2bn and not be completed until 2005. It is described by Cern as the most complex machine ever built and the technical challenges are formidable – the huge magnets in the particle detectors weigh hundreds of tons and must be aligned with hair's breadth precision. Cern knows it will not get a second chance to build the LHC – several Cern member nations are already demanding budget cuts. Using VR, it hopes to get the design right first time and avoid the revisions and cost over-runs that typically plague big engineering projects.

Cern is handling the LHC's general design while more than 300 physics institutions and contractors scattered around the world will design its individual parts. Only when all the parts are finished will they brought to the LHC site, outside Geneva, Switzerland, and assembled, much like a giant jigsaw.

To ensure the pieces fit together perfectly, Cern plans to create detailed 3D models of the LHC on the Internet within a virtual environment called Virtual Environment Navigation in the Underground Sites (Venus). Researchers from around the world can "fly through" Venus using VR-equipped web-browsers and VR helmets, glasses or projection screens to see how their particular component fits into the overall design.

Venus is still in its infancy and its web site holds just a few general models of the LHC created by Cern staff. Ultimately, Venus will become a distributed virtual environment that links web servers of different contractors and allows users to visualise the minute detail of any component.

An Engineering Data Management System, based on an Oracle database, will store design data on every piece and Venus will use the EDMS to locate the 3-D models corresponding to particular pieces, irrespective of which web server stores them.

"EDMS will be the backbone of Venus as we want to be able to describe everything down to the smallest screw and show it in 3D," says Mr Silvano De Gennaro, Venus project leader at Cern. Many architects and engineers see "collaborative virtual engineering" as a key technology for big projects that depend on international co-operation.

But the technologies to create virtual worlds on the Web are immature and Cern has had to cut its own path. "When we started two years ago, there was no standard for VR on the web so we had to make our own," says Mr De Gennaro. Cern developed a VR browser, called i3D, using technology pioneered at the CRS4 particle physics laboratory in Sardinia, Italy. He claims the i3D browser is better at VR than commercial browsers, such as Netscape Navigator, that use the new VR modelling language (VRML) standard. For example, i3D allows scientists wearing stereoscopic glasses to see objects in 3D on the screen to more accurately judge distances.

Budget cuts have also hit Cern which has decided to rebuild its virtual models using VRML code so that they can be seen by scientists – and indeed, any visitor to its Web site – using standard PCs or Macintosh computers.

ENTERPRISE RESOURCE PLANNING • By Andrew Baxter

Business IT selection strategies are crucial

Different IT systems have their own unique selling points – buyers are often under pressure to find the right match within a reasonable timescale

How good is enterprise resource planning (ERP), the systems and software used by hundreds of companies worldwide for planning across different functions and sites?

*F*or manufacturing companies which have introduced ERP, one of the current "in" acronyms of business IT, the answer seems to depend on your standpoint, according to the latest research from Cambashi, the independent UK IT consultancy.

Here, for example, are two statements about the same ERP system: "The system is highly configurable and appears to be able to do anything. After training in it, people become highly employable." That was from the IT director of a manufacturing company.

Yet a manufacturing analyst from the same company said: "We have found a lot of limitations. Managing the bill of materials is really difficult – and the repetitive module is just a piece of garbage."

Another IT director who bought the same system, and who was sacked when it failed to deliver the functionality which users needed, said: "We talked to user groups, and they seemed pretty happy."

Cambashi says its research shows this is typical of the situation in many manufacturing companies. It believes many end up dissatisfied with their ERP systems because they start off with the wrong selection strategies.

"Companies often go over to ERP to replace outdated accounts systems that are becoming too expensive to maintain," says Mr Simon Bragg, a Cambashi consultant.

"As a result, the person responsible for choosing the system is often the IT manager – or worse, the financial director. How long will it be before manufacturing companies remember that they are in business to manufacture products, so enterprise-wide computer systems must be chosen to suit manufacturing activities as well?"

The research shows the greatest business benefits can be achieved only if the buying strategy gives equal importance to IT, corporate finance and manufacturing functions. This is because the many different systems on the market all have their own unique selling points. Each of the three key functions has its own particular needs, skills and strategies, and the problem for buyers is to find the most appropriate match within a reasonable timescale.

"With the right approach, the selection process should take no longer than three months," says Mr Bragg.

Cambashi also points to the need for manufacturers to invest in systems with a long-term future. By far the majority of systems currently in use will have to be scrapped by the end of the century, it claims, either because they are not Year 2000-compliant, or because they are based on outmoded 'dumb terminals' with no local processor power.

The findings ought to provide food for though for the ERP industry, which – unusually for IT – has its centre of gravity in Europe rather than in the US. The two leading vendors, SAP and Baan, are both European companies, and ERP is primarily a European development, says Cambashi. This, it says, may reflect the fact that European manufacturers require a holistic approach to the use of IT in manufacturing, whereas US companies take a more departmental or activity-based approach.

But it points out that several US ERP vendors have invested heavily in R&D, with the result that a couple are now growing faster in revenue terms – albeit from a much lower base – than Germany's SAP, the best-known name in the ERP business.

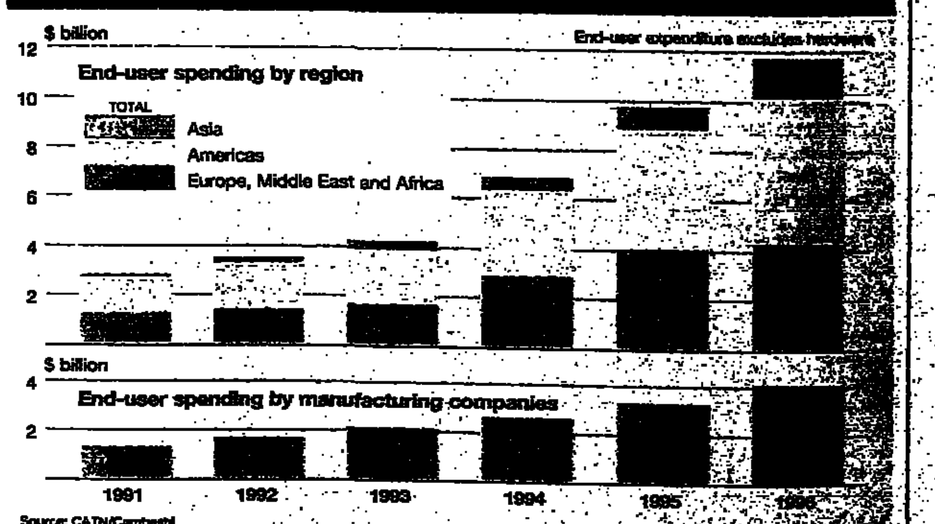
The consultancy says mainstream ERP vendors need to have spent at least $100m over the past five years if they are to stand any chance of staying in the market. Over the next five years, it predicts, two or three leading vendors will continue to dominate the market, extending their user-bases down to the level of second and third-tier manufacturers, with other ERP suppliers taking specialist niches.

These findings arise from a report being prepared by Cambashi and its partners in the European wide CATN network for Ovum, the IT analysts. The report, *Ovum evaluates ERP for manufacturers*, will be available in late June, priced around $2,220 in the US and £1,195 in Europe.

A recent Cambashi seminar in Cambridge on IT trends showed how quickly the ERP market is growing. Overall, spending by end-users worldwide has jumped from $2.8bn in 1991 to $11.8bn in 1996, with compound annual growth rates of 33 per cent in the US, 28 per cent in Europe, and 65 per cent in Asia.

Spending on ERP by manufacturing end-users – including spending on their non-manufacturing functions – has risen from $1.4bn in 1991 to $4bn last year, representing a 24 per cent annual growth rate.

World markets for ERP



Source: CATN/Cambashi

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FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday May 7 1997 Week 19

IN BRIEF

Dow Jones slips behind Bloomberg

Dow Jones, the US media and financial information group, has for the first time fallen behind Bloomberg as a supplier of live market data to financial institutions, according to a new survey. Page 23

Reed Elsevier signs deal with Microsoft
Reed Elsevier, the Anglo-Dutch media and information group, has signed a letter of intent to form a five-year strategic relationship with Microsoft, the world's biggest software house. Page 25

Eurotunnel allegations dismissed
A disputes panel set up to hear a £1bn ($1.62bn) claim by Eurotunnel against Transmanche-Link, the tunnel contractor, for supplying allegedly faulty equipment, dismissed most of the claim. Page 25

Ahold looks at more US purchases
Ahold, the Netherlands' biggest supermarkets group, is eyeing a further big acquisition in the US less than a year after completing its $1.8bn purchase of Stop & Shop, a New England chain with more than 175 outlets. Page 20

BP benefits from gas contracts
A big increase in gas sales after the re-negotiation of take-or-pay contracts with British Gas, now known as Centrica, helped British Petroleum unveil first-quarter profits of £755m ($1.2bn). Page 25

Argentaria announces job cuts
Argentaria, the Spanish banking group, announced plans to cut almost one third of the staff at its principal operating subsidiary, Banco Exterior de España. Page 20

Wood pulp contract attracts support
More than 15 wood pulp producers and consumers have lined up to start dealing in the electronically traded pulp future contract to be launched later this month in London. It will start trading on May 29. Page 28

Companies in this issue

Market Statistics

http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW	1515	+	25
GEA Prf	629	+	14
MAN	508	+	8.5
Viag	798	+	22
Falls			
Rheinmetall	340	-	10
SGL Carbon	241	-	7.8
NEW YORK ($)			
Rises			
Aetna Inc	96¼	+	5⅝
BBN Corp	28⅝	+	6¼
Sola Intl	31	+	2½
Falls			
Consol Stores	40	-	2⅝
Fila Hdgs	40⅝	-	5¼
GTE Corp	44	-	3½
LONDON (Pence)			
Rises			
BP	732½	+	29
Eurotherm	413½	+	27
Intermate Tel	61½	+	16
Falls			
Chesterfield	606½	-	61½
Superscape	212½	-	22½
Waco	41	-	33½
TORONTO (C$)			
Rises			
Ashton Mining	5.5	+	0.76
Datamirror	9.0	+	1.0
Golden Star	11.0	+	0.75
Falls			
Asbestos Corp	22.4	-	2.6
Lindsay Mnin	14.0	-	4.0
N Amer Pall	4.11	-	0.89
PARIS (FFr)			
Rises			
Alcatel	653	+	8
Imetal	834	+	31
Worms Cie	369	+	13
Falls			
BIC	909	-	9
Carrefour	3688	-	72
Sanofi	558	-	12
TOKYO (Yen)			
Rises			
Daiwa Sec	880	+	48
Kanebo	219	+	15
Konica	793	+	33
M'bishi Elec	750	+	35
Pioneer	2480	+	150
Falls			
Hattori Seiko	809	-	26
HONG KONG (HK$)			
Rises			
HSBC Hldgs	205.0	+	3.0
Hang Seng Bk	92.25	+	2.0
Shanghai Indl	42.1	+	1.7
Wing Hang Bk	31.6	+	1.1
Falls			
Shell El Mfg	4.37	-	0.22
Union Bk HK	11.4	-	0.25
BANGKOK (Baht)			
Rises			
Chiangmai	22.5	+	2.0
Sanyo Unversl	46.75	+	4.25
Yonghai Chem	22.5	+	2.0
Falls			
Advncd Info	160.0	-	15.0
Kian Gwan	57.0	-	6.0
Tisco	66.0	-	7.0

New York and Toronto prices at 12.30pm.

Ifil and Auchan in $5bn link

Italian market welcomes merger plan which will create giant retail group

By Paul Betts in Milan

Ifil, the Agnelli family holding company, and Auchan, the privately owned French retailer, yesterday reached a long-term agreement to pool their Italian interests to form a L9,000bn ($5.2bn) retailing group.

The two companies are to set up a joint venture which will absorb Ifil's 40.5 per cent stake in Rinascente, Italy's largest retailing group after the Coop chain.

Auchan's Italian operations are expected to generate sales of about L900bn a year, while Rinascente's sales this year are expected to top L8,000bn. As a result, the enlarged Rinascente will have sales of around L9,000bn this year.

The Milan stock market welcomed the deal, marking up Ifil shares to close 4.8 per cent higher.

For Milan merchant bank Mediobanca, which orchestrated the deal with Deutsche Morgan Grenfell, the operation was a consolation after the fiasco over the aborted HPI-Marzotto textiles and clothing merger.

Mediobanca shares, which took a drubbing on Monday, recovered more than 2 per cent yesterday. Rinascente shares were suspended ahead of the announcement by Consob, the Italian stock market watchdog.

Auchan will own an initial 49 per cent stake in the new company, with the remainder held by Ifil.

The French company will pay about L1,000bn for this stake through a capital increase to be launched by the new venture and reserved for Auchan.

After 10 years, Auchan will have the option to acquire an additional 1 per cent to make it an equal partner with Ifil. After 15 years, Ifil will have the option either to continue with the 50-50 agreement or sell all or part of its stake to Auchan.

The French group will also have the option to pay Ifil with its own shares to pursue the international alliance with the Italian company.

Auchan also agreed yesterday to sell its Italian activities, including four commercial centres and property assets, to Rinascente for L530bn.

In turn, Rinascente said yesterday it would launch a L780bn capital increase in shares and bonds to finance the acquisition.

Mr Umberto Agnelli, Ifil chairman, said the alliance with Auchan would boost Rinascente's potential. He said the retailing sector was a "strategic investment sector" for Ifil.

Mr Gerard Mulliez, chairman of Auchan, the fourth largest integrated retailing group in Europe, said the Italian market had always been a target for Auchan's international development.

Yesterday's agreement would also lead to a long term period of close collaboration "between our two family groups".

GTE shares fall after Internet investment plan

By Richard Waters in New York

The high cost of competing in the fast-changing US telecom*munications markets dented* GTE yesterday as Wall Street reacted negatively to the company's ambitious investment plans.

The country's second-biggest telecoms carrier unveiled a plan to pay $616m in cash for BBN, an Internet service provider.

It also said it would buy capacity on a national fibre-optic telecommunications network under construction, and that it had formed a long-term agreement with Cisco Systems, the biggest supplier of network computing equipment, to upgrade its networks to handle data traffic more effectively.

Mr Charles Lee, chairman, warned that the pay-off from these investments would not come for some time, however. GTE's earnings growth would be "flat to slightly positive" *this year and* "moderate" *in* 1998, he said.

Wall Street had been expecting GTE to notch up earnings per share this year of $3.18, more than 10 per cent higher than 1996, according to analysts.

Mr Lee said that by 1999, profits would be growing at a sustainable annual rate of between 13-15 per cent, compared with 10 per cent without the investments.

The slump in GTE's share price, which at one stage in the morning was 9 per cent lower, echoed wider stock market concerns about the *huge investments faced by the* US telecoms industry. AT&T, GTE's bigger rival, has also seen its shares slump because of expensive investment plans, despite its assertion that these would give it far faster earnings growth by the end of the decade.

Yesterday's moves appeared to indicate that GTE planned to go it alone, rather than become embroiled in the mergers and acquisitions that are reshaping the industry in the US. From its traditional base in the local telephone business, the company has already made substantial inroads into long-distance traffic. Its latest moves would leave it better placed to develop this, while also giving it a leg-up in the business of handling Internet and other data communications.

Among BBN's biggest customers is AT&T, which in 1995 signed a five-year deal for BBN to carry data traffic for its own corporate customers. AT&T said that it was examining the implications of the GTE acquisition, but that *its own network could* now carry all the traffic handled by BBN, if necessary.

By midday yesterday, GTE's shares had recovered slightly to $44, $3½ down on the day before.

Nestlé chairman and chief executive Helmut Maucher, right, chats with Peter Brabeck, who is to take over day-to-day running of the food giant. Report, Page 18 Picture: Reuter

World Bank leads sterling charge on bond markets

By Edward Luce

Sterling's rally yesterday on the currency markets touched off a rush of bond issues that matched the highest daily volume of sterling-denominated issues this year.

The World Bank launched its largest ever sterling-denominated bond, £750m ($1.2bn), which was more than double the size of its previous high sterling issue. It was the bank's largest issue in any currency since a DM3bn ($1.7bn) deal in September 1995.

"After the interest rate *announcement [by Gordon* Brown, chancellor of the exchequer] and the rally in the gilts market, we realised it was the ideal moment to issue the bond," said Mr Gumersindo Oliveros, senior manager in the World Bank's treasury department. "We also wanted to wait until the UK general election was out of the way."

The surge in gilts prices following Mr Brown's decision to raise UK interest rates by 0.25 per cent and give the Bank of England the right to set interest rates tempted other borrowers to the sterling market. Both UBS, the Swiss bank, and EDf, the French electricity company, tapped the sterling market, bringing the total of the day's issues to £1.1bn, to equal the highest daily tally this year.

The World Bank bond was priced to yield just two basis points more than five-year government gilts. A basis point is one hundredth of a percentage point.

"The bond is basically trading as a surrogate for five-year gilts," said an official at BZW, lead manager of the issue. "As a AAA-rated issuer,the World Bank's offering has been seen by investors as a benchmark for other international bonds in sterling."

World Bank officials said yesterday's bond would be followed by other sterling issues if market conditions were right. "You can spend all year waiting for a whole constellation of factors to come into line," said Mr Oliveros. "Yesterday was a perfect day for a sterling bond."

Officials at BZW said the bond would be distributed almost evenly between investors in the UK, Europe and east Asia. BZW also reported strong interest from individual retail investors in Europe.

Daiwa to pioneer stock options for employees

By Gillian Tett in Tokyo

Daiwa, one of Japan's big four securities houses, plans to become the country's first large financial company to introduce a stock option scheme for employees.

The decision depends on a change in law supported by the government.

It would mark a sharp break with the traditional culture of corporate Japan, where companies have eschewed the type of stock option schemes long popular in the US and the UK.

Daiwa's announcement provides evidence that some Japanese companies are seeking new ways to motivate employees and encourage managements to focus on the share performance.

The option schemes offer *executives and employees the* chance to purchase shares in the company at a preset price within a certain period – and thus give them a powerful incentive to raise the share price.

The Japanese parliament is due to consider a bill to lift the bans on stock options schemes this summer.

With the ruling Liberal Democrat party already having indicated that it supports such action, hopes are rising that the law will be changed to permit stock options as early as next spring.

So far, few Japanese companies have indicated that they would like to introduce stock options.

Mr Takeshi Nojima, Daiwa's managing director, said yesterday that if the law was changed Daiwa would hope to introduce the options "soon". Two other important Japanese companies, Toyota and Orix, have also hinted that they would also consider such a move.

The pay of Japanese employees has traditionally fluctuated according to their *companies'* performance, but Japanese managers have tended to be paid far less than their US counterparts.

Managers have usually paid little attention to the share *price of the company*.

A Japanese government survey in 1992 showed that 65 per cent of US managers – but less than 5 per cent of Japanese managers – regarded the share price as important.

Barry Riley

Gilts come out from behind the barricades

Gordon Brown, a bare four days into his job as the UK's chancellor of the exchequer, yesterday launched monetary reforms aimed – among other things – at reducing the risk premium on sterling debt.

The sense of top priority is important, because the past election campaign highlighted the traditional politicisation of the British monetary control process. The former chancellor Kenneth Clarke and the Bank of England governor Eddie George had for several months been at loggerheads over short-term interest rates.

British chancellors have enjoyed power which has often been ill-employed. Recently, monetary growth accelerating to 11 per cent has become increasingly incompatible with an inflation target of 2.5 per cent. Indeed, that target has only been made at all credible (and then only in the very short run) by a destabilising surge in the *sterling* exchange rate, which will soon cause a crisis for the export sector.

During the election campaign there was the remarkable spectacle of the bond markets welcoming the prospect of a Labour government. The benchmark gilt spread over German bunds peaked at 180 basis points a week ahead of the poll and tumbled to 146 basis points yesterday.

As Brown *made clear* yesterday, however, there is no prospect of a first wave entry to Emu that might sharply reduce sterling's immediate risks. For the time being there remains the paradox that sterling is being boosted by its short-term appeal as a safe haven outside the weak euro zone, while gilts are regarded as exposed to relatively high longer-term inflation risks.

Would *rejoining* the exchange rate mechanism help? The 15 per cent bands are much wider than in 1992. Even so, the UK's ability to run the independent monetary policy required because its cycle is so divergent from the Continent's would be constrained. There would also be the tricky decision of setting a central rate. The old one was DM2.95, but that hilltop has already seen too much blood spilt. On the other hand, a new central rate of, say, DM2.50 (roughly the midpoint of sterling's 12-month range) would underline the problem of suppressed inflation.

> If the economy continues to boom at a growth rate of around 4 per cent interest rates will have to go up further and inflation would accelerate

The immediate issue, though, is the risk of overheating. *If the economy continues* to boom at a growth rate of around 4 per cent (especially if the expansion is concentrated in the services sector) interest rates will have to go up further and inflation would accelerate in 1998 and 1999.

The gilt market will continue to be uneasy until the scale of the ultimate inflation peak in, say, 1999 can be predicted with some degree of confidence. *Meanwhile* it will be nearly two months before the overall drift of Labour economic policy – involving fiscal tightening as well as higher interest rates – can be assessed in the round.

But in the meanwhile the bond markets are relieved to be free of the Eurosceptic antagonism of the Tory campaign. Those electoral uncertainties have gone and moreover the whole global bond market has been lifted by a sudden influx of liquidity – doubtless originating in Japan, where institutions in desperate pursuit of yield have been big buyers of gilts.

Certainly the UK's long-run fundamentals look much better than for Japan, where JGB yields hover at a threadbare 2.3 per cent. But Gordon Brown must set out a credible strategy for steering sterling in a future world where all independent currencies will be priced against one or more of the dollar, the euro and the yen. Monetary sovereignty will have a still bigger cost.

If he makes progress in this direction there will be every chance that the gilt-bund spread will narrow much further in the latter part of the year, especially if the German *economy continues to recover* and there is more urgent expectation of the first upwards move in short-term rates by the Bundesbank.

SAS into red as competition grows

By Greg McIvor in Stockholm

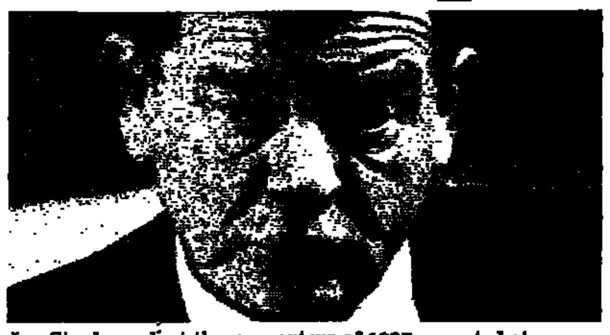
Scandinavian Airlines System swung from a SKr311m pre-tax profit to a SKr269m ($34m) loss in the first quarter, as the carrier was jolted by intensifying competition in the Nordic travel market and seasonal imbalances.

Analysts had forecast a deterioration in profits to around half the level of last year, but the plunge into deficit took the market by surprise.

SAS's stock, which is listed as three separate shares in Stockholm, Oslo and Copenhagen, dropped sharply. The Norwegian shares shed NKr4.50, or 6.2 per cent, to end the day at NKr68.

The company, which is partly owned by the Swedish, Danish and Norwegian governments, said it had been hit by a big increase in competition on some of its main routes.

A cluster of competitors, including Virgin, of the UK, Maersk, of Denmark and Braathens Safe, the Norwegian carrier, have challenged SAS's dominance of the Scandinavian market by launching new services on high-margin routes such as Stockholm-Oslo and Copenhagen-Brussels.



Jan Stenberg: last three quarters of 1997 expected stronger

SAS also said the early Easter holiday this year had deprived it of six fewer weekdays in March. This particularly affected business travel and caused a SKr150m earnings shortfall, it said.

Mr Jan Stenberg, SAS chief executive, stressed that the first quarter was the airline's weakest for seasonal reasons. He repeated an earlier forecast that profits this year would be at the same level as last year's SKr1.8bn.

"In the remaining three quarters of 1997 the increase in volume and revenues is expected to be stronger than in the first quarter. Increased traffic will also have a favourable impact on unit costs during the rest of the year," Mr Stenberg said.

Turnover advanced from SKr8.2bn to SKr8.3bn, but was almost overtaken by an 8 per cent rise in costs, from SKr7.6bn to SKr8.2bn.

The increase related chiefly to SAS's addition of extra departures to combat increased competition. Currency factors accounted for 2 percentage points of the rise.

Traffic, expressed as available seat kilometres, rose 3 per cent. SAS said that the main expansion was in Swedish domestic traffic, intra-Scandinavian traffic and to prime European business destinations.

Maucher steps aside at Nestlé

Helmut Maucher, 69, who has dominated Nestlé for the last 16 years, indicated yesterday he still intended to play an important role in the world's biggest food company after he hands over day-to-day management next month to Mr Peter Brabeck, 52, the Austrian-born chief executive.

"Cats will be cats and continue to chase mice," said Mr Maucher in response to questions about his continuing role as chairman, a post he will hold until 2000.

However, he then qualified his statement by noting that Mr Brabeck, a marketing man, was not a "soft little mouse". Indeed, he had "nerves of steel" and had even been known to change Mr Maucher's own opinions when he came up with a better idea.

Although the timing of the transition of power at the top of Nestlé has been known for over a year, stock market analysts remain uncertain about whether the new chief executive will change anything.

Mr Maucher, who selected his own successor and has a reputation as an autocrat, will continue to sit on the special five-strong board committee and will continue to spend half of his time on Nestlé business.

He intends to work with Mr Brabeck on the company's strategic direction and retain a say in top management appointments.

Mr Maucher is confident his successor does not have "any secret plans in his top drawer". He signalled yesterday that he saw no need to dispose of the company's Alcon Laboratories ophthalmology business, or its 49 per cent stake in L'Oréal, the world's biggest cosmetics company.

Mr Maucher started his Nestlé career in 1948 at the same German factory where his father once worked. When he took control of Nestlé it was floundering. He has overseen a growth in net profits from SFr683m to SFr3.3bn ($2.24bn) during his 16 years, while the group's market capitalisation has risen from less than SFr8bn to about SFr70bn.

When Mr Maucher took control of Nestlé, it was floundering. He has overseen a growth in net profits from SFr683m to SFr3.3bn during his 16 years

Nevertheless, Nestlé's critics have argued that the company could have done better and has been slow to dump poorly performing businesses. Mr Maucher has been accused of being better at buying companies than selling them. Over the last 16 years, Nestlé has spent SFr33.1bn on acquisitions and raised SFr7.4bn from disposals.

In response, Mr Maucher said he could easily have increased net profits by SFr1bn by bowing to stock market pressures for better short-term performance. But he stressed he had always been driven by long-term considerations and would never do anything to damage Nestlé's long-term earnings potential.

Mr Brabeck, who takes over as chief executive on June 5, says the transition has been harmonious. "We have thought much more about what we don't want to change, rather than what we want to change," he says. Any changes would be more likely in terms of the group's internal growth, rather than acquisitions.

Traders, however, were more concerned by the weakness of the 2.2 per cent growth in Nestle's underlying first-quarter sales than by Mr Maucher's remarks about the company's rosy future – the shares fell SFr40 to SFr1802.

William Hall

Oil and transport help Veba climb 7%

By Graham Bowley in Frankfurt

Veba, the German energy and telecommunications group, made an unexpectedly strong start to 1997 as advances in its oil and transport divisions helped lift net profit 7 per cent in the first quarter, to DM486m ($281m).

Pre-tax income increased 6.8 per cent to DM1.1bn, while sales climbed 8 per cent to DM19.6bn.

The shares rose DM2.72, or 3.02 per cent, to close at DM92.92.

However, the upbeat picture was clouded by the group's chemicals division, where a rise in raw material prices contributed to sharply lower earnings. Sales in the unit dropped 1.6 per cent.

The group remained optimistic about the rest of the year. "Based on the positive development of the group as a whole in the first quarter of 1997, we are confident of being able to increase full-year earnings, despite the difficult start of our chemicals division," Veba said.

In March, Mr Ulrich Hartmann, chairman, warned that earnings growth would be "less spectacular" in 1997 after a strong rise in after-tax profits to DM2.49bn in 1996.

But Veba said yesterday that continued measures to cut costs and improve efficiency would contribute to earnings growth, along with "our continued portfolio optimisation".

The group earlier this year announced plans to become the latest of only a handful of German companies to list on the New York Stock Exchange, as part of its push towards internationalisation. It plans its debut in October.

Analysts remained positive after the results. "These are strong figures in an adverse environment," said one analyst in Frankfurt.

Veba said its new telecommunications arm ended the quarter with a loss "as expected", because of start-up costs. Veba is seeking a new partner for a planned telecoms venture after Cable and Wireless, of the UK, withdrew earlier this year.

Arbed payout cut 40% after loss

By Neil Buckley in Luxembourg

Arbed, Europe's fourth-largest steel maker by output, has been forced to cut its annual dividend more than 40 per cent after the worldwide downturn in the steel market pushed it into a loss last year.

The Luxembourg-based group will propose a payout of only LFr40 a share to next month's annual meeting, down from LFr70. But some analysts had speculated the news would be worse and the dividend would be passed altogether after the group fell into a LFr1.2bn ($33.6m) loss in 1996, from a LFr3.66bn profit in 1995.

Mr Joseph Kinsch, chairman, said yesterday the group was "open to collaboration" with other steelmakers to strengthen its position in a market hit by globalisation and rapid expansion by low-cost producers in countries such as China.

He said Arbed already had several projects with other groups, and had been "reflecting" on the need for further tie-ups before this year's news that Germany's Krupp and Thyssen are to create a steel joint venture which will knock Arbed from fourth to fifth among European producers.

"We are very open to other collaborations," Mr Kinsch added.

There has been speculation in Belgium over creation of a single Benelux steel group, with producers in Wallonia, Belgium's French-speaking region, hit hard by the worldwide downturn. Cockerill Sambre, Belgium's biggest steelmaker, announced heavy losses for 1996, while its fellow Walloon group Forges de Clabecq went bankrupt and a third, Usines Gustave Boël, recently formed an alliance with Hoogovens of the Netherlands.

Arbed's turnover fell 10 per cent from LFr257.1bn to LFr232.1bn, although this partly reflected the loss of the contribution of French group Arus, in which Arbed sold its stake in late 1995. If Arus is stripped out, however, turnover fell 4.6 per cent.

Gross operating profit fell from LFr30.7bn to LFr19.5bn, with the biggest fall in the flat products sector – Arbed's largest business. However, the long products and stainless steel businesses also suffered from sharp price falls and contraction in worldwide demand.

EUROPEAN NEWS DIGEST

Strong gains at Swedish insurers

Strong gains in unit-linked insurance and asset management helped Skandia and Trygg-Hansa, Sweden's two big insurers, to post sharply improved first-quarter profits. Skandia's operating profits rose from SKr921 to SKr1.5bn ($189m), while Trygg rose from SKr741m to SKr1.2bn at the pre-tax level.

Both benefited from a rapid expansion of their mutual fund operations, both in Scandinavia and outside the region. Trygg said its unit-linked operations grew more than 80 per cent compared with the same period last year, while Skandia reported 16 per cent growth. Trygg has trailed its larger rival in moving into the lucrative unit-linked market, but it said an effort launched last year to focus more closely on savings activities was starting to pay off.

Mr Lars-Eric Petersson, Skandia chief executive, said competition continued to be fierce in non-life insurance and reinsurance, but life and unit-linked assurance had moved strongly ahead. "Profitability continues to be very satisfactory throughout this segment," he said. Skandia's shares firmed SKr1 to SKr240 but Trygg stock edged down SKr2 to SKr144.

The engine of growth at Skandia's unit-linked operations was the US, where written premiums rose 54 per cent. Skandia said its share of the US variable annuities market had risen from 3 per cent to 3.8 per cent, and it was growing faster than its largest competitors. Skandia's premiums from life and unit-linked insurance rose from SKr7.7bn to SKr11.6bn. Assets under management increased 15 per cent to SKr169bn, of which unit-linked funds contributed SKr139bn. Operating profits in non-life and reinsurance rose from SKr794m to SKr1.1bn, despite flat premium income of SKr6.9bn.

The sluggishness of the non-life market was amplified at Trygg, where premiums declined from SKr2bn to SKr1.7bn. The company attributed the deterioration to lower volumes and rate reductions in industrial and commercial insurance. Operating profits in life assurance and savings activities moved from a SKr5m loss to a SKr96m surplus. Volumes soared from SKr2bn to SKr4.3bn, although a large part of the rise was acquisition-related. Total premium income at Trygg was flat at SKr3.3bn, while Skandia's premiums rose from SKr14.7bn to SKr18.6bn. *Greg McIvor, Stockholm*

Deutz presses on with sell-off

Deutz, the German tractor and machinery maker which almost collapsed last year, is pressing ahead with the sale of some of its divisions despite having increased sales 17 per cent in the first four months of this year. Presenting its 1996 results, the group said it would sell its environmental technology division and another industrial unit by the end of next month.

It said negotiations were under way with potential buyers. In addition, it was preparing to sell its cement technology and raw materials processing activities. The group is undergoing a radical restructuring after a crisis last year caused by big losses on cement plants in Saudi Arabia. The crisis prompted a DM1bn ($577m) rescue by its creditor banks, led by Deutsche Bank, the biggest shareholder. As part of their contribution to the rescue package, the company's employees have taken salary cuts of between 2.75 per cent and 10 per cent. In the first four months of 1997, the group lifted sales to DM858m. Incoming orders in the first four months were DM901m, compared with DM999m a year earlier. Operating profits were expected to continue to improve this year.

The company reported a net profit of DM874m in 1996 after a net loss of DM1.13bn in 1995. Sales fell from DM3.29bn to DM2.92bn. The profit came mainly from extraordinary items, at DM897m, which mainly comprised the bank's contributions to the bail-out. Deutz said it was pressing on with reorganisation at KHD Humboldt Wedag, despite continuing efforts to sell the industrial plant division which was the main source of the company's troubles last year. The group said the restructuring had cost DM1.01bn.

Graham Bowley, Frankfurt

SGL Carbon declines 11%

SGL Carbon, the German carbon and graphite products group spun off from chemicals group Hoechst last year, has reported a 11 per cent year-on-year fall in first-quarter net profit, to DM43m ($34.8m). This was despite a rise in sales to DM452m.

The company said it expected a significant improvement in earnings in the second quarter compared with both the first quarter and the same period last year. For the full year, the earnings rise is expected in double-digits. SGL Carbon blamed the first-quarter decline on weakness in the European steel industry and special one-off factors. *AP-DJ, Frankfurt*

Morocco sells refineries

The Moroccan government yesterday sold majority stakes in two oil refineries to a Saudi group for Dh3.9bn ($1.04bn), in the country's largest privatisation deal to date. The Swedish-based Saudi Corrol Petroleum Holding bought 67.7 per cent of Samir for Dh251 a share, and 73.9 per cent of Société Cherifienne des Petroles for Dh365 a share.

The prices are lower than those at which the two companies recently traded on the Casablanca stock exchange – Dh317 for Samir and as much as Dh600 for SCP. Analysts in Casablanca said yesterday that the double privatisation would boost confidence in a programme which had fallen behind targets. "These privatisations are important, not only because they will put an end to the talk about a faltering privatisation programme but also because they bring in foreign investment," said Mr Mr Anas Alami, analyst at local broker Upline Securities. *Roula Khalaf*

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EMERGING MARKETS UPDATE:

EASTERN EUROPE

Talent. Vision. Expertise. And perhaps a little burning ambition makes Regent one of the hottest investment houses in Eastern Europe.

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Regent Pacific Group Limited

Supermarket group forecasts 30-35% rise in 1997 net profit and hints at big share issue

Ahold eyes further acquisition in US

By Gordon Cramb in Amsterdam

Ahold, the Netherlands' biggest supermarkets group, is eyeing a further big acquisition in the US, less than a year after completing its $1.8bn purchase of Stop & Shop, a New England chain with more than 175 outlets.

Mr Cees van der Hoeven, president, said before the company's annual meeting yesterday: "We are being vigilant in the US with a view to further takeovers." The sector was due for consolidation, while the group had created a "clear position which allows us to add further value as a result of acquisitions", he said.

According to Mr Rob Zwartendijk, head of Ahold's US operations, it is targeting companies with annual sales of at least $1bn and located no further west than Chicago. "There are a lot of interesting companies adjacent to areas in which we operate, with which we are having some friendly discussions."

Such a purchase would be funded at least in part through a share issue, but would not halt growth in earnings per share, Mr Van der Hoeven said.

Although Ahold expanded its equity 34 per cent last year, it still managed to boost earnings per share nearly 17 per cent.

For the current year it is forecasting an earnings increase of between 12-20 per cent.

The group said total net profits would be ahead somewhat more strongly, up 30-35 per cent from the Fl 632m ($332.6m) achieved in 1996 – the gap indicating that provision has been made for a further substantial share issue.

Ahold shares closed Fl 1.60 higher in Amsterdam yesterday at Fl 141.60, with market sentiment also influenced by the release of sales figures for the first 16 weeks.

Turnover was up 48.2 per cent from the same period a year earlier to reach Fl 14bn, with nearly two-thirds of the gain attributable to Stop & Shop.

The Dutch group regards the US, where it had sales in the period of $4.2bn, as its second home market. "The contributions of this enormous acquisition to our corporation as a whole have been better than we predicted a year ago," Mr Van der Hoeven told shareholders.

Ahold has also been expanding into central Europe, South America and Asia, where it is opening stores in China at the rate of nearly one a week.

Reflecting this more international profile, Sir Michael Perry, who retired last year as the British co-chairman of the Anglo-Dutch Unilever, will today join its supervisory board.

He replaces Mr Albert Heijn, the 70-year-old grandson of the group's founder.

Hochtief hits out at German cartel office

By Andrew Fisher in Frankfurt

Hochtief, the German building company which plans to take effective control of rival Philipp Holzmann by pooling its shareholding with that of Deutsche Bank, yesterday criticised the federal cartel office for trying to thwart its efforts.

Mr Hans-Peter Keitel, chairman, said the European Commission in Brussels should deal with the transaction – aimed at giving Hochtief and Deutsche Bank 50 per cent of Holzmann – rather than the cartel office.

However, the cartel office repeated its charge that Hochtief was trying to bypass German competition rules by framing its deal so that it has to be referred to Brussels. It has asked the economics ministry to approve an application to the Commission that the issue be decided in Berlin.

Mr Keitel said the deal would enable both companies to achieve synergies and create new jobs. The structural upheaval in German building, where medium-sized companies are playing an increasing role, meant big companies had to concentrate more on large-scale project business.

Hochtief cut its domestic workforce last year by 10.5 per cent to about 19,500, with at least 1,000 more jobs likely to go this year. Mr Keitel said the crisis in the industry would continue into 1998.

Despite industry woes, Hochtief managed to raise group net profits last year by 7 per cent to DM146m ($85.9m). The dividend, however, is being cut from DM1.35 to DM1.20 a share. In the first quarter of 1997, its order inflow was 38 per cent higher at DM3.2bn, helped by a big contract in Berlin.

Mr Keitel said Hochtief's earlier plan of lifting its holding in Holzmann to 34 per cent through buying a 10 per cent stake held by Commerzbank would be dropped once Brussels approved the pooling arrangement.

This provides for Deutsche Bank to pool its 25.1 per cent stake with Hochtief's 24.9 per cent, with the aim of the construction companies being able to co-operate in foreign business and investigate closer domestic links.

Previously, Hochtief tried to acquire Holzmann, but the cartel office said this would create a dominant force in German construction. The new deal ensures Commission involvement because Deutsche Bank has most of its turnover outside Germany. The cartel office has called the deal "new wine in old bottles".

Hans-Peter Keitel: deal would create jobs and synergies

Argentaria plans job cuts at Exterior

By David White in Madrid

Argentaria, the Spanish banking group, yesterday announced plans to cut almost one-third of the staff at its principal operating subsidiary, Banco Exterior de España.

It said Banco Exterior needed to "face up to its problems as soon as possible". Argentaria also proposed bringing Exterior's relatively high salaries into line with the rest of the country's banking sector.

The measures, described as "non-drastic", are designed to enable Argentaria to fuse its constituent parts into a single bank – the plan put forward by its chairman, Mr Francisco González, when he took over a year ago.

The difference in pay levels between Banco Exterior and the other former state-controlled banks that were brought together to create Argentaria in 1991 has been the main obstacle to forming an integrated group.

Argentaria is expected to become fully privatised early next year, with a global offering of the state's remaining 25 per cent stake.

Unions said yesterday they would study the plan, which involves compulsory retirement at 53 and redundancy incentives. These aim to cut 2,100 of Banco Exterior's 6,600 jobs in Spain over the next three years. The Argentaria group employs 16,500 in total.

Mr Federico Outón, Banco Exterior managing director, said the plan was "the only way to safeguard its future", since it was unable to cover its personnel costs through its ordinary business. Staff costs last year exceeded the bank's net interest income by 12 per cent.

Banco Exterior acted as national export bank before Spain entered the European Union. It has since built up a retail banking business focusing on high-income clients.

However, it has been unable to find a clear role.

Exterior's shares were delisted last month after Argentaria bid for the shares it did not already own. It had already bought up most of the minority shareholding in 1995.

The new plan involves converting 100 of Exterior's 500 branches into offices specialising in corporate business, and closing or transferring a number of others.

The bank said its average of 13.7 employees a branch compared with 8.6 for the rest of the banking sector, with annual wage costs 19 per cent above the norm and almost 30 per cent more than at Argentaria's more down-market retail banking arm, Caja Postal.

Banco Exterior's consolidated net earnings, after minorities, recovered by 22 per cent to Pta7.26bn ($49.7m) last year, thanks to profits from market operations and sharply reduced extraordinary losses. The previous year, profits had tumbled by 71 per cent.

EUROPEAN NEWS DIGEST

UPM Kymmene to cut Rauma stake

UPM-Kymmene of Finland, Europe's biggest pulp and paper group, is to reduce its holding in Rauma, the Finnish engineering group, from 60 per cent to 35 per cent via a secondary offering and share redemption.

UPM-Kymmene this week lowered its stake in Rauma, which has a market value of about FM5.8bn ($1.11bn), from 73 per cent through a special dividend to shareholders. It said it wanted to reduce the holding further to focus on its core forestry business. However, it would retain a significant, minority stake in the engineering group.

The offering, for which SBC Warburg is global co-ordinator, is for 10.5m shares plus an over-allotment allocation of 1.56m shares. There will also be a small Finnish retail offering and UPM-Kymmene will redeem 1m shares. UPM-Kymmene said the offering would be priced late this month. Rauma yesterday reported a drop in first-quarter profits from FM208m to FM158m, with sales slipping from FM2.4bn to FM2.3bn. The company said its markets were largely unchanged from the fourth quarter last year. Rauma shares firmed FM0.70 to FM109.10. *Greg McIvor, Stockholm*

Fila ahead in first quarter

Fila, the Italian sportswear group quoted on Wall Street and the crown jewel of the HPI holding, yesterday reported a 14 per cent advance in first-quarter net income from $28.5m last year to $32.6m. Its continued success provided some consolation to HPI after the withdrawal at the weekend of the Marzotto textiles and clothings group from a planned merger.

Mr Enrico Frachey, Fila managing director, said first-quarter results were in line with the company's expectations, with some softness in the US market more than offset by what he called "remarkable increases" in international business. This confirmed the trend in the sportware sector, with markets outside the US sustaining overall growth. In Europe, Fila's business in the first quarter grew 73 per cent. In east Asia and Japan, sales expressed in local currencies rose 42 per cent and 66 per cent, respectively, in the quarter.

Group sales in the first quarter rose 29 per cent to $432.2m compared with $334.8m in the same period last year. In lira terms, first-quarter net income rose 19 per cent to L53.4bn on a 35 per cent rise in sales to L719.7bn. *Paul Betts, Milan*

Italcementi back in black

Italcementi, Europe's largest cement producer since it acquired Ciments Français in 1992, returned to profit last year with consolidated group net earnings of L87bn ($51m), compared with a loss of L3bn the previous year. This was despite a fall in group sales from L5,142bn to L5,469bn. Italcementi SpA, the parent company, reported a net profit of L41bn in 1996 against a loss of L3.3bn the year before. The company also raised its gross dividend on its ordinary shares L20 to L100.

With weak demand in some countries – the Italian market now accounts for only one-quarter of group sales – the group's improved performance reflects extensive restructuring and cost cutting. The group said its operating performance had improved "significantly" in the first quarter of this year. *Paul Betts*

Sandvik shrugs off 29% fall

Sandvik, the Swedish engineering company, remains upbeat on full-year results despite a 29 per cent fall in first-quarter pre-tax profit, to SKr941m ($119m). It said yesterday it was still confident of holding this year's profits in line those of 1996.

For the quarter, orders grew 6 per cent to SKr7.83bn from SKr7.39bn, with the strongest growth in the steel division. At the same time, price weakness in steel led to a 1 per cent fall in group sales to SKr7.38bn, which translates to a fall of 4 per cent at fixed exchange rates. *AP-DJ, Stockholm*

Jungle hideaway for salting operation

Geologists at Strathcona Mineral Services initially found it hard to believe that anyone could successfully tamper with the thousands of ore samples taken from the Busang property.

But it did not take long after the Toronto-based consultancy began its independent audit of Bre-X's drill results in March for them to realise they had uncovered a simple although highly organised salting operation in the depths of the Borneo jungle.

According to Strathcona's initial report, published yesterday, "Those involved... had a very good understanding of the geology of the Busang property and have the knowledge required to determine the very small amounts of gold required [for] sample assays... compatible with the geologic interpretation."

Mr David Walsh, Bre-X chairman, hired Strathcona after New Orleans-based Freeport McMoRan Copper & Gold disputed Bre-X's claim that the property contained the biggest gold discovery this century.

According to the report, the salting process was relatively simple, as was its discovery.

Samples from Busang contained unusual quantities of coarse gold which required little grinding to be "liberated" from the ore. Repeated assays on the same sample produced poor results.

Furthermore, the gold found in the samples was not consistent with Busang's geology.

Mr Jim Bob Moffett, Freeport chairman, said this week that "the gold grains didn't look like volcanic gold. It's very difficult to put non-volcanic gold in a volcano." The unusual coarseness of the grains was "more than a red flag".

A total of 25,000-30,000 samples were taken from Busang's supposedly rich south-east zone from the time Bre-X first became involved in the property in October 1993.

"What has been difficult," Strathcona added, "has been the acceptance of the evidence that the tampering has occurred for so long, on such a scale, and with such accuracy as to give the assay values and the subsequent interpretation of those values, the appearance of being plausible."

Among the practices at Busang that aroused suspicion was the separation of cores into "mineralised" and "in-fill" samples. Contrary to normal mining practice, the samples were treated at different facilities.

In about 4,000 cases, the same sample number was assigned to two different samples. One number was assigned to the "in-fill" samples and the other to the "mineralised" material.

The "in-fill" material remained at Busang and, in Strathcona's words, "invariably resulted in low gold values".

The "mineralised" samples were removed from the site in heavy plastic bags, which in turn were placed in large glass fibre bags. These were taken by barge from Busang along the Mahakam River to Samarinda, a one-and-a-half-day journey.

They were stored in or near Samarinda for several weeks before being taken to an assay laboratory in Balikpapan, a port city south of Samarinda.

Two Bre-X workers at Busang told Strathcona that all the sample bags were "checked" at Samarinda to ensure they had not broken or deteriorated in the sunlight.

"If this step has occurred", the report said, "we would regard it with great suspicion, as plastic bags contained within a glass fibre bag would not be expected to show any deterioration after only a few months."

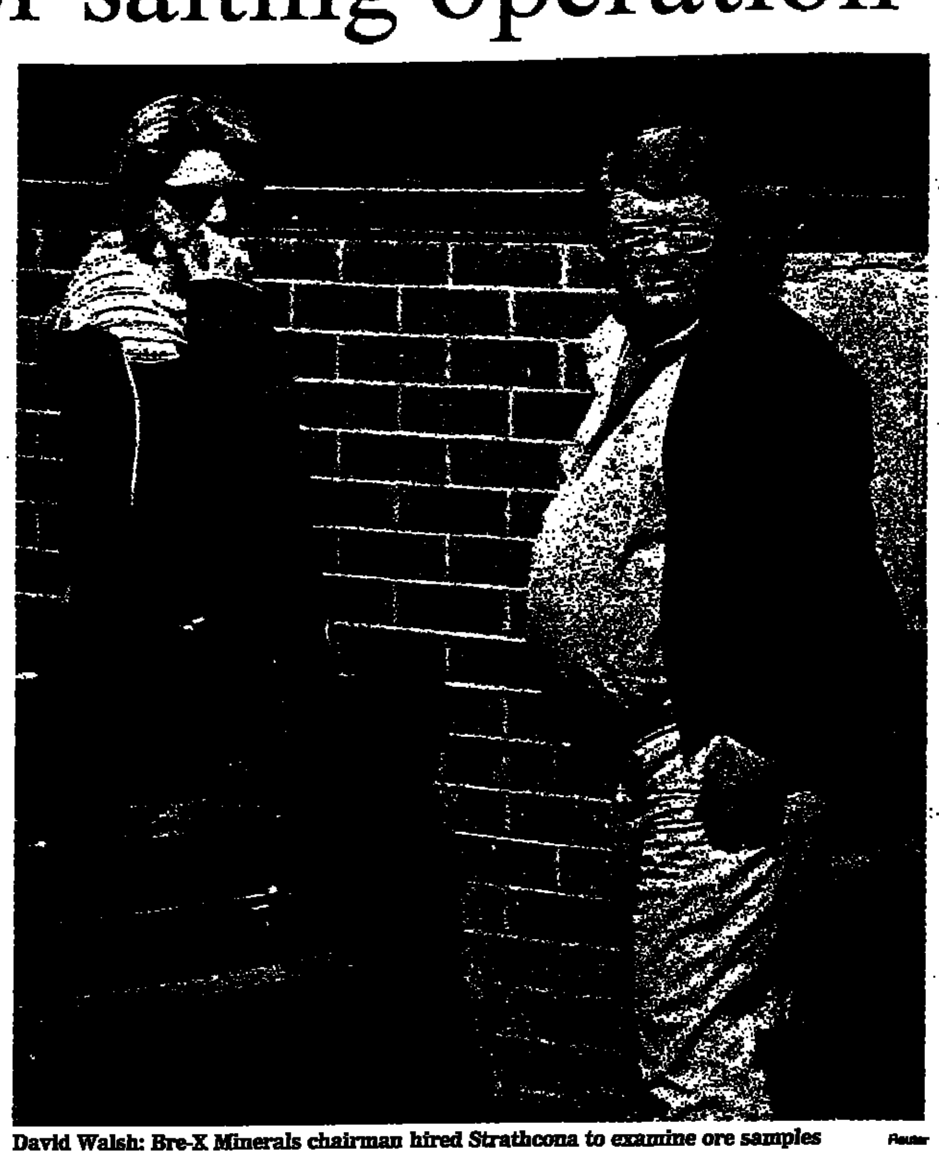
"We can only suggest that somewhere en route, probably at Samarinda, there has been a 'laboratory' or facilities established that have allowed very precise additions of the foreign gold ... identified in the Bre-X samples delivered for assaying."

Other reports have suggested that Bre-X operated a secret "mixing" facility at Loa Duri, 22 miles upstream from Samarinda.

The Strathcona report contains a thinly veiled criticism of several metallurgists and others involved in the analysis of Busang ore. It points, for instance, to an October 1996 study by Colorado-based Hazen Research, that was included in a feasibility study prepared by Kilborn, a Canadian consultancy hired by Bre-X.

"If there has not been a typographical mistake," Strathcona says, "Hazen reported recovering 91 per cent of the gold in a gravity concentrate that was less than 1 per cent of the material delivered to the gravity circuit [processing facility]."

Strathcona did not attempt to identify culprits. Among the central figures in the Busang operations however, were a group of Filipino geologists employed by Bre-X.



David Walsh: Bre-X Minerals chairman hired Strathcona to examine ore samples Reuter

The role of Mr John Felderhof, Bre-X vice-chairman and chief geologist, is also likely to be closely scrutinised. Mr Felderhof, who has spent many years in Indonesia, was not in Calgary for a Bre-X directors' meeting on Sunday. He participated from his home in the Cayman Islands.

Mr Felderhof's chief lieutenant, Mr Michael de Guzman, fell from a helicopter over the Borneo jungle in mid-March, shortly after learning of Freeport's concerns.

According to Mr Moffett, Mr de Guzman "knew we were having problems confirming their assays. He was coming back to explain what he thought might be the problem."

Bernard Simon

Search for a scapegoat turns to brokers

By Clay Harris

"The gold is there! Therefore, we continue to recommend the purchase of Bre-X shares. Our target is C$29 a share."

Mr Egizio Bianchini, senior mining analyst with Toronto stockbroker Nesbitt Burns and a tireless cheerleader for Bre-X Minerals shares, thus nailed his colours to the mast on March 25, after the company's US partner, Freeport McMoRan Copper & Gold, said it had found "insignificant" gold at Busang.

But the gold was not there, and nor yesterday was Mr Bianchini taking calls, as Bre-X shares reopened in Toronto at 6 cents. That compared with the C$15.70 at which he had tried to stem the tide of scepticism only six weeks previously.

With the desire growing to allocate blame in the wake of Bre-X's dramatic collapse, attention will increasingly focus on brokers such as Nesbitt Burns which consistently recommended the company's shares to clients and in public statements.

Over many months, Bre-X was regularly the most heavily traded share on the Toronto Stock Exchange.

One US investment manager who had publicly expressed doubts about Bre-X for many months yesterday estimated that stockbrokers in the US and Canada had made up to $100m in commissions from trades in the shares over the past year.

He said: "These people wanted to keep the ball rolling as long as possible. It was a commission mill." He was especially scathing about the role of Nesbitt Burns.

Bank of Montreal, which owns Nesbitt Burns, said yesterday that many innocent people had been taken in by the fraudulent testing of the Busang samples.

Mr Bianchini had based his recommendations on published information. He was so much in demand that he was not taking interviews, the bank said.

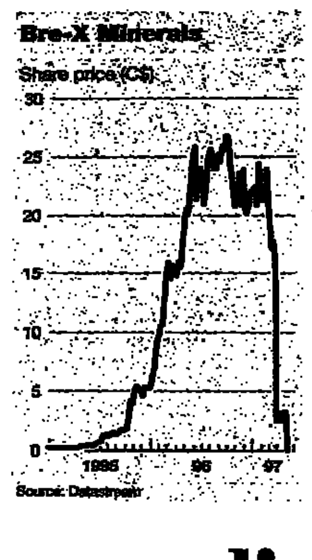
Attention has also focused on Bre-X's advisers. J. P. Morgan, the US bank, was engaged last September to find a strategic partner among the world's leading mining companies, in effect to act as matchmaker for Bre-X. The completion of any deal depended on the partner's own due diligence.

The bank could argue that the fact that Freeport's tests uncovered no evidence of gold and thus aborted the deal proved that the process worked exactly as intended. Like Republic National Bank, which also advised Bre-X in its search for a partner, J. P. Morgan had no comment yesterday.

J. P. Morgan is expected to resign, however, now that its role is finished.

And just as Bre-X needed public relations help more than ever before, it lost its advisers on that front.

Hill & Knowlton resigned as soon as the damning report was published late on Sunday, abruptly recalling an executive from Calgary to New York.



Mining Man of the Year 'shocked and dismayed'

By Scott Morrison in Vancouver

As investigators work to determine who was responsible for the largest mining hoax in history, they will take a close look at Mr John Felderhof, the Bre-X Minerals vice-president and an award-winning geologist who "co-discovered" the Busang site. He speculated it could contain as much as 200m ounces of gold.

The geologist, who oversaw operations at the Indonesian site, issued a press release this week stating he was "shocked and dismayed" to learn that his estimates had been disputed by an independent audit. Mr Felderhof, 56, issued his statement from the Cayman Islands, where he owns a $3m home. He said he was confident there was a significant amount of gold at Busang and that he would fully co-operate with authorities investigating the matter.

Born in the Netherlands, Mr Felderhof moved to Canada when he was 12 years old. In 1962 he graduated from Dalhousie University in Halifax, Nova Scotia, with a degree in structural and economic geology.

He gained prominence in Canadian mining circles in 1968 after co-discovering one of the world's largest gold deposits in Papua New Guinea.

Mr Felderhof took several jobs before he was hired by Pelsart Resources, an Australian group exploring for Indonesian gold. At Pelsart, Mr Felderhof joined Mr Michael de Guzman, the Filipino geologist who was later one of the Bre-X team that "discovered" the Busang deposit.

Indonesian gold fever swept through Australian markets during the 1980s. Mr Felderhof sent upbeat reports from the jungles of Kalimantan and investors continued to throw money into the company, although Pelsart never struck the mother lode. The venture came to an end in the October 1987 stock crash, as speculators quickly pulled their money out of exploration shares.

The crash devastated Mr Felderhof, who had not exercised his stock options while he had the chance.

After a brief stint as a consultant and another failed Indonesian exploration venture, he was broke and living in a borrowed house when Mr David Walsh, Bre-X president, arrived in Jakarta in 1993 in a desperate bid to drum up business.

The two had met 10 years before through a mutual friend. Mr Felderhof told Mr Walsh about Busang, which was controlled by a local family that did not have the resources to develop the site. Mr Felderhof was optimistic about preliminary drilling results and encouraged Mr Walsh to take control of the property.

Investors rode the Bre-X wave as gold estimates rose to 71m ounces. Mr Felderhof, who in February speculated said the site could contain 200m ounces, once again became a darling of the mining industry and was named Mining Man of the Year by a Canadian publication. This time, he did not fail to cash in on his success: he is estimated to have netted at least C$43m (US$30.39m) by exercising Bre-X stock options before the share price came tumbling down.

Jakarta eyes stake in Newmont mine

By Manuela Saragosa in Jakarta and Laurie Morse in Chicago

The Indonesian government has said that it wants to take a stake of "at least" 10 per cent in a copper and gold mine being developed by a unit of Newmont Mining, of the US, on the eastern Indonesian island of Sumbawa.

A company owned by Indonesian President Suharto's eldest daughter has also made a bid to take part in the project.

Mr Ida Bagus Sudjana, the mines and energy minister, said Newmont should give the government a 10 per cent stake in the Batu Hijau mine to allow for "nationalistic interests".

He added that two other companies, one of which is owned by Ms Siti Hardiyanti Rukmana, Mr Suharto's eldest daughter, had "shown interest" in Batu Hijau but had not made an official request to participate in the project.

Newmont has invested US$140m in Batu Hijau, which is estimated to contain 14.7m ounces of gold and 11.2bn pounds of copper. Production was scheduled to start in 2000. The cost of developing the open pit mine is expected to total about US$1.9bn.

It is not clear when the Indonesian government would want to take a 10 per cent stake.

According to a clause in the contract of work Newmont signed with the government in 1986, the company is required to divest a percentage of the project's shares only between the sixth and 11th years of production.

The Indonesian mining sector is currently bracing itself for the consequences of a report by an independent auditor, which showed that Bre-X Minerals, the Canadian exploration company, had used falsified data to exaggerate the size of the deposits at its Busang field in east Kalimantan. There have been complaints that Indonesia's rules and conditions in the mining sector are too favourable for foreign companies.

The potential involvement of a presidential family member in Batu Hijau has also sparked concern. Ms Siti lost a highly political battle for control of the Busang project. The sector had not previously attracted the interest of presidential family members.

Newmont had expected to receive a licence to proceed with construction of the Batu Hijau mine by the end of March, but the government has yet to give the go-ahead.

It is also still waiting for approval to change the share-ownership structure of the project, under which Newmont would own 45 per cent; Sumitomo Corporation, of Japan, 35 per cent; and an Indonesian company, 20 per cent.

Mr Doug Hock, spokesman for Colorado-based Newmont Mining, said: "We have been told repeatedly by the highest levels of the Indonesian government that the [Batu Hijau] construction permit will be granted.

"We expect [Indonesian officials] to honour our contract of work as it stands, without changes of ownership."

I. B. Sudjana: government should have 10% stake to allow for 'nationalistic interests' AP

Aetna reaps benefit of cost cuts

By John Authers in New York

Shares in Aetna made strong gains in early trading yesterday, up $6⅝ at $97¼, as first-quarter results showed that the US health and insurance conglomerate had begun to cut costs at its healthcare division.

Earnings excluding exceptional gains were $186.8m, or $1.14 a share, well ahead of the analysts' consensus forecast of $1.05.

Last July Aetna paid $8.9bn for US Healthcare, the country's largest health management organisation, in an ambitious attempt to re-position the company away from its old property and casualty insurance business, which it sold last year, and towards offering a broad range of health services.

Since then, it has embarked on a radical streamlining of its healthcare operations, taking a charge of $301m last year and shedding about 8,000 jobs.

Analysts were worried that merging the two companies would be difficult, as US Healthcare was traditionally an aggressive low-cost operator, run on a different basis from Aetna's existing health business.

The first quarter saw the first signs of a reduction in costs, with total operating expenses falling to $834.1m, well down on the $931.7m recorded in the final quarter of 1996.

Mr Ronald Compton, chairman, said that the "efforts to re-position Aetna" had begun to pay off.

The company also benefited from a $108.4m exceptional gain, thanks to the transfer of assets from discontinued products in its large case pensions division, which manages a range of defined benefit and defined contribution pension plans for corporate customers.

Its retirement services division, which offers investment products and life assurance, also contributed to the healthy results, with operating profits gaining 14 per cent to $46.3m compared with the equivalent quarter of last year.

Aetna International, which earlier this year announced a $300m joint venture to sell life and pension products in Brazil, made operating profits of $27.5m, up 14 per cent on the quarter of a year earlier. Most of the growth came from Taiwan and Chile, but this was balanced by heavy start-up costs elsewhere, notably the Philippines.

Bloomberg 'moves ahead of Dow Jones'

By Nicholas Denton

Dow Jones, the US media and financial information group, has for the first time fallen behind Bloomberg as a supplier of live market data to financial institutions, according to a new survey.

The study adds to evidence of flagging sales of market data which earlier this year prompted Dow Jones to announce a programme to invest $650m over three to four years to revamp delivery of data to customers' computer screens.

Sales of "real-time" market data at Dow Jones Markets, the subsidiary formerly known as Telerate, stagnated at $865m, according to the annual Market Data Industry study, which is researched by Waters Information Services.

Revenues at Bloomberg, an industry newcomer founded by Mr Michael Bloomberg in 1981, jumped from $710m in 1995 to $918m in 1996, according to Waters, a publishing house which follows the market data sector.

Both the US providers remained well behind Reuters, the UK media company, which achieved sales in 1996 from real-time market data of $2.29bn, up from $2.18bn in the previous year, Waters estimated.

Dow Jones said Waters appeared to count businesses such as the news wires of its competitors, but not its own.

It said revenues from financial information were $980m. "We are still way ahead in second place," a Dow Jones executive said.

The health of the overall global market data business, which Waters said increased 10 per cent to $5.79bn in 1996, leads some executives, such as Mr Bloomberg, to conclude the league tables are unimportant.

"There is probably some value to bragging rights," said Mr Bloomberg, a former information technology specialist at Salomon Brothers.

"But it's not a zero-sum game. I'm not being cute about it, I just don't think about the other guys," he said.

Nevertheless, Dow Jones has conceded some slippage in its market share, which has fallen from a peak of 17.5 per cent to some 14 per cent last year.

It was this drop that prompted Dow Jones' decision in January to step up investment.

Reuters terminals are on the whole preferred by traders for their data on foreign exchange rates and equity prices, and Dow Jones Markets transmits the prices followed by most traders of US Treasury bonds.

However, Bloomberg has made inroads among traders of other types of bond.

It was the first provider to allow customers to analyse the effect of market movements on the value of their trading positions.

The Dow Jones Markets investment plan, which has been criticised by some shareholders who believe the unit should be sold instead, is designed to improve access to Dow Jones' service by using browser software and other Internet technologies.

"The purpose is not just to get back on track, but to leapfrog the competition," said Mr Geoffrey Moore, head of strategic communications at Dow Jones Markets.

"We have already regained momentum."

Fidelity gives details of plan for shake-up

By John Authers

Fidelity Investments, the Boston-based fund management company with almost $500bn in assets, yesterday announced further details of its radical management overhaul, creating a new company to sell products for the contractual advice and personal trust market.

This is part of the company's attempt to expand its institutional sales, and to concentrate on service issues for its largest customers.

It also announced new executives at its core retail mutual fund group. Fidelity is still comfortably the largest company in the market for selling mutual funds to small investors, but its share of new sales has dropped significantly over the past year, largely in reaction to adverse press publicity over poor investment performance.

Ms Lynn Davis, previously responsible for the group's marketing to high net worth individuals, is to be president of the new Asset Management and Trust Company. She had previously worked mainly in private banking at Chase Manhattan Bank and at Boston-based Shawmut Bank.

The company also announced a team to run its retail mutual funds division. Ms Martha Willis, will run the group, while Ms Joan Bloom, who had also worked at Shawmut, will report to her with responsibility for equities. Mr David Giunta, a former strategic planner for Putnam, one of Fidelity's biggest fund management rivals, will run the fixed income and speciality funds.

In the past two weeks, Fidelity has already created two new senior positions, with the appointment of a new chief operating officer and a newly-created chief executive post for its "institutional group". Both appointments were intended to tighten management and supervision, and to improve the company's service to institutions.

The reorganisation follows a series of well-publicised departures by senior fund managers.

Matsushita E Ind ... 11.3m 2270 +120 Toshiba Corp .... 8.3m 770 +17

COMPANIES AND FINANCE: ASIA-PACIFIC

Tokyo plans to reduce further its stake in the telecoms group

Sale of NTT shares resumes

By Michiyo Nakamoto in Tokyo

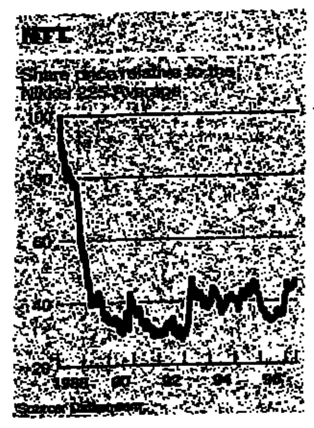
The Japanese government plans to resume a long-suspended programme to reduce its holding in NTT, the country's largest telecoms operator, by selling up to 500,000 shares this year in an offering that could raise between Y400bn and Y500bn ($3.16bn-$3.94bn).

The ministry of finance, under Mr Hiroshi Mitsuzuka, holds the bulk of the government's stake in NTT.

It has been laying the foundations for the sale of NTT shares to raise much-needed funds and reduce the government's holding in the former telecoms monopoly from 65.8 per cent to less than 50 per cent, as planned when NTT was partly privatised in 1985.

A sale of NTT shares by the ministry this fiscal year would be the first since 1988. After that, a plunge in NTT's share price, triggered by a financial scandal and the prolonged weakness of the Tokyo stock market, led to a temporary halt in the sale programme.

Hiroshi Mitsuzuka, Japan's finance minister



During that period, NTT's share price plunged to a low of Y453,000 in August 1992, down from its all-time high of Y3.18m in April 1987.

A number of factors are converging to make the time ripe for the government to resume its sale of NTT shares, analysts say.

For one thing, the decision reached at the end of last year to break NTT into a long-distance company and two local operators grouped under a holding company, has removed the uncertainty that had been hanging over the future status of NTT.

In addition, the company's share price has been strengthening, particularly since the inclusion of NTT in the Morgan Stanley Capital International index, which was announced at the end of last month. That move has triggered buying of NTT shares by investors that benchmark their performance against the MSCI, noted Mr Todd Wood, analyst at ING Baring Securities in Tokyo.

Since NTT's inclusion in the index was announced just three market trading days ago, the company's share price has risen 11 per cent. Yesterday, NTT topped the Y1m mark for the first time in three years, before falling back to close at Y997,000, up 2.7 per cent.

More important, the finance ministry is under political pressure to reduce its holding in NTT after an international agreement to liberalise telecoms markets was reached in the World Trade Organisation earlier this year.

Although market conditions might not be ideal for another tranche of NTT shares, given the government's need to raise funds and to reduce its holding in NTT, the ministry is not prepared to wait any longer for market conditions to improve, analysts believe.

The government's sale of NTT shares this year is expected to be well received by the market, because of NTT's expansion into overseas markets and its position as an important competitor in Japan's promising multimedia markets, analysts said.

Strong demand from China for HK Telecom

By Louise Lucas in Hong Kong

China-linked brokerages yesterday bought heavily into Hongkong Telecom, the territory's dominant carrier, pushing the share price up 6.4 per cent and increasing speculation of an imminent restructuring in the group's shareholding.

Hongkong Telecom is controlled by Cable and Wireless, of the UK. Following a series of shake-ups in strategic sectors in Hong Kong – including aviation and power – it is tipped as the next candidate for mainland interest.

Mr Philip Tose, chairman of Peregrine Investments, the pan-Asian investment bank, said: "I would be surprised if it did not happen ... clearly you have a date arriving soon, and maybe that concentrates peoples' minds."

China resumes sovereignty of Hong Kong in less than two months, and a number of analysts have pinpointed a Hongkong Telecom deal as a possible corporate transaction to mark the occasion, particularly given the company's strong ties with the UK.

Telecoms is regarded as a strategic industry by China: foreign participation is still barred on the mainland, except in peripheral areas such as equipment supplies. The idea of a UK-controlled company holding the biggest market share might conflict with the Chinese view.

A 10 per cent stake in Hongkong Telecom would cost around HK$15.94bn (US$2.05bn) at yesterday's closing share price of HK$14.10.

Analysts believe that Beijing would be keen to see a stake of up to 30 per cent go to China's Ministry of Post and Telecommunications, the mainland's former monopoly and a commercial partner of Hongkong Telecom.

Bankers say that the high price may not be prohibitive, especially given Hongkong Telecom's relatively high dividend yield, which could comfortably accommodate interest payments on a loan.

One Holding to suspend payments

By Ted Bardacke in Bangkok

One Holding, the troubled affiliate of Thailand's Finance One, said yesterday it would not be making interest payments on any of its nearly $60m in bonds until a restructuring plan was completed.

The postponed payments are worth Bt90.7m ($3.48m). Payment was originally scheduled for May 19.

One Holding has already defaulted on $13.5m in bills of exchange and has a total of about Bt7bn in outstanding debt, more than half of it denominated in foreign currency.

Payment on any debts is unlikely until a planned merger between Finance One and Thai Danu Bank takes place. One Holding will be left out of that merger, but shareholders may receive some proceeds which could go towards repaying the company's debts.

● Natural Park, a troubled Thai property developer, said yesterday it had stopped paying both principal and interest to one of its main creditors, Thai Fuji Finance and Securities, itself one of 10 finance companies identified by the central bank as facing a "liquidity crisis".

The amount Natural Park owes to Thai Fuji is not known. But at the end of the first quarter Natural Park had long-term debt of Bt7bn, short-term debt of Bt6.3bn and a debt-to-equity ratio of more than 200 per cent.

The report heightened worries about the health of Thai property and finance sectors and contributed to a 2.55 per cent fall in the Thai stock market yesterday. The SET index is at its lowest point in more than five years, at 643.87. The finance and property sectors each fell by more than 4 per cent.

ASIA-PACIFIC NEWS DIGEST

Speculation over Sing Tao stake

Shares in Sing Tao Holdings rose sharply yesterday amid reports that the controlling shareholder in the Hong Kong media and publishing group was set to sell its stake.

Company officials declined to comment on speculation that Ms Sally Aw, chairwoman, was prepared to sell her majority stake in the company, one of the territory's biggest newspaper publishers. However, shares climbed almost 12 per cent to close at HK$3.40.

According to the Chinese-language Hong Kong Economic Journal, the frontrunner to buy Ms Aw's stake is Mr Kwek Leng Chan, the Malaysian tycoon who owns the Nanyang Siang Pao, one of the region's biggest Chinese-language newspapers. Analysts said that Ms Aw's 51 per cent stake could fetch about HK$1.8bn (US$232.6m).

Sing Tao – which publishes the Sing Tao daily and the English-language Hong Kong Standard – has been struggling to recover from a price war launched in late 1995. In the six months to the end of September last year, net profits fell from HK$30.69m to HK$4.92m, as the after effects of the price war were compounded by the high costs of newsprint. *John Ridding, Hong Kong*

Century Textiles plunges

Century Textiles and Industries, the Indian cement to paper group which is part of the Birla group, shocked the Indian stock market by reporting a plunge in net profits in the year to March, from Rs1.9bn a year earlier to just Rs26.7m ($747,899). Shares in the company fell Rs199, or 9 per cent, to Rs2,200, compared with a 52-week high of Rs6350. *Tony Tassell, Bombay*

Growth boosts China fund

Guangdong Development Fund, the London-listed vehicle for investment in infrastructure and other China projects, reported a 25 per cent increase in net profits for 1996, from US$5.07m in the previous year to US$6.36m.

The fund, which as at the end of March had committed or invested $78m in 15 projects, benefited from last year's 11 per cent economic growth in the southern Chinese province of Guangdong and the 9.7 per cent growth in the country as a whole.

It has increased its infrastructure interests – which now account for $27m of the total invested – and its exposure to the brewery industry.

Earnings per share of the fund rose 25.6 per cent, from 5.23 US cents to 6.57 US cents, and the dividend is to be lifted 20 per cent, from five US cents to six US cents. *Louise Lucas, Hong Kong*

PCIBank profits surge 56%

PCIBank, one of the Philippines' largest banks, yesterday cheered investors with a 56 per cent jump in first-quarter net profits to 1.07bn pesos ($40.6m), underpinned by solid revenue growth.

Shares in the bank, which has one of the country's biggest branch networks, closed up 2.5 pesos to 307.5 pesos. Revenues moved up 25 per cent to 4.05bn pesos, of which interest income – up 17 per cent to 2.86bn pesos – represented 71 per cent. Other income stood at 1.19bn pesos, prompting analysts to ask how much of this figure was non-recurring.

Mr Rafael Buenaventura, PCIBank president, is forecasting full-year profits of 4bn pesos, a 40 per cent gain on last year. *Justin Marozzi, Manila*

Hongkong Land buy-back

Hongkong Land, the Hong Kong-based property company which is part of the Jardine group, said it intended to buy back up to 5 per cent of its issued share capital through the market.

Mr Percy Weatherall, managing director, said the scheme would continue while market conditions remained favourable. *Louise Lucas*

LEGAL NOTICES

PERSONAL

COMPANIES AND FINANCE: UK

Strategy to increase gas sales helps push first-quarter profits ahead to £755m

'Marketing mastery' boosts BP

By Ross Tieman

A big increase in gas sales after the renegotiation of take-or-pay contracts with British Gas, helped British Petroleum unveil first-quarter profits of £755m ($1.22bn) yesterday.

The profit, calculated on a replacement cost basis, was some £30m ahead of the most optimistic brokers' forecasts and 19 per cent higher than during the three months to the end of March 1996.

Mr John Browne, BP chief executive, said a higher oil price had provided a more favourable operating environment. On average, BP sold its oil at $21.30 a barrel, compared with $18.50 during the same period last year.

Analysts, however, said the cash inflow during the first quarter, at £790m, had also proved much stronger than they expected.

One reason was a 6 per cent increase in the volume of gas sold. BP said that an agreement last year to cut both the volume and price of gas sold to Centrica, the former British Gas supply business, in exchange for a cash payment exceeding £100m had freed gas for sale elsewhere. Both revenues and profits from gas sales were higher, directors said.

"BP are masters of marketing and they have marketed their gas exceptionally well," said analyst Mr Bruce Evers of brokers Henderson Crosthwaite.

The increase in gas sales was part of BP's so-called "self-help" programme to improve corporate performance. The programme enhanced profits by $120m during the first quarter. Analysts said benefits look set to exceed the company's full-year target of $300m.

Aided by doubled output in the Gulf of Mexico, seen by BP as a very promising new production area, oil output rose 3 per cent. BP also reaped first benefits from the merger of its filling stations in Europe with those of Mobil, although Mr Browne said most savings would not emerge until later in the year.

Profits at the Chemicals business fell to £104m, from £128m a year ago, partly as a result of the weak D-Mark. But chemical production was up 14 per cent, year on year, as additional capacity came on stream.

BSkyB places £300m order

By Raymond Snoddy

British Sky Broadcasting, the satellite television company, will today place orders for 1m digital satellite decoders with four consumer electronics companies, in deals worth more than £300m ($486m).

The four companies which will receive the orders are Panasonic, part of the Japanese Matsushita consumer electronics group; Mr Alan Sugar's Amstrad; Pace Microelectronics, the British satellite equipment manufacturer, and Hyundai, the Korean electronics giant.

The order is the final confirmation that BSkyB intends to push ahead with the launch of 200 channels of digital satellite television in the UK, and offer a wide range of interactive services.

BSkyB has always said it planned to launch digital satellite in the UK before the end of 1997 but it is now clear that the launch will come in early 1998.

The complexity of the deal means that it has taken longer than expected to complete, in particular the plans to subsidise the "blackbox" decoders. A new company, British Interactive Broadcasting, will have £700m available for subsidies.

The company's aim is that the decoders will retail at £199 rather than the £500 they would otherwise cost initially.

BSkyB and BT will each have 32.5 per cent of BIB and the Midland Bank 20 per cent. Matsushita is taking the final 15 per cent.

At the outset the digital decoders will be able to receive 200 television channels. But later on they will be capable of handling interactive services through the down-loading of new software. The decoders will also have a modem to connect to the telephone system.

BSkyB has reduced the cost of launch by opening up a new orbital position for Astra, the Luxembourg-based satellite system. In return BSkyB has got large discounts on leasing the satellite capacity needed for the digital launch.

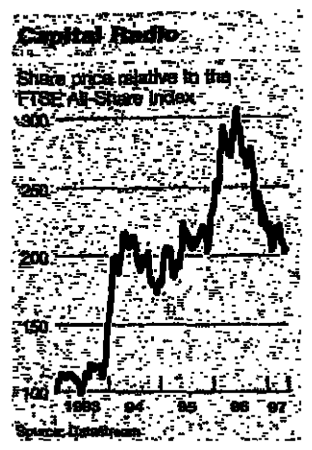
The cable industry has also been working on plans to provide 200 channels of television to match BSkyB and could be in a position to launch first.

BSkyB has been in dialogue with regulators such as Oftel, the UK telecommunications watchdog, but it is believed that any Oftel role will only formally come into play when BIB begins trading.

The Office of Fair Trading will probably also want to look at the deal.

LEX COMMENT

Capital Radio



When Capital Radio decided that its management expertise extended from the airwaves to the kitchen with the acquisition of the My Kinda Town restaurant business, investors sensibly concluded the strategy was half-baked. At least the purchase of Virgin Radio is a return to what Capital does well. And there is no doubt that it can add considerably to Virgin's profitability. There will be cost savings, benefits from being able to offer broader packages to advertisers, and the bonus of taking out a competitor. Besides, after the MKT deal, Capital must have been very keen to demonstrate that it has more to do in radio before it feels the need to build another business extension.

But there is the matter of price. Media watchers are used to big numbers, and the £87m total outlay on Virgin looks less unreasonable when set against the £94m GWR paid for Classic FM. After all, Virgin is profitable, it has a strong brand, and in four years time it is possible to forecast a double digit after-tax return on investment. Nonetheless, growth in radio advertising is already slowing sharply, and one needs to attach a reasonable discount to such a cyclical earnings stream. Radio advertising rates more than halved in the last recession and while it is now a more established advertising medium it will still suffer more than television in the next downturn. The Virgin acquisition looks a sensible strategic deal, but like most of its kind, it will take a long time to justify the price paid.

Wace shares tumble on further warning

By Christopher Price

Shares in Wace Group fell by almost half yesterday after the printing group issued its third profits warning in a year. The fall of 35p to 39½p left the shares at a sixth of their market value 12 months ago.

The company also announced that Mr Frans ten Bos would be stepping down as chairman at the annual meeting this month, to be replaced by Mr Peter Brown, chairman of Dawson Holdings. Mr Brown said he believed Mr Trevor Grice, chief executive, remained the best qualified executive to turn the company round.

Wace, which has been attempting to expand its pre-press operations into an integrated printing concern, said trading conditions remained tough across most of its businesses and it would continue in the red in 1997.

Analysts, who had been forecasting pre-tax profits of about £12m ($19.4m), cut estimates to losses of £8.5m. Wace made losses of £2.04m in 1996 after profits of £20.5m the previous year.

Mr Stephen Puckett, finance director, said the group's strategy remained correct despite the setbacks. He predicted Wace would return to profit next year.

Many of the group's traditional pre-press businesses were undergoing tremendous changes in technology which were affecting their ability to produce recurring revenues.

One adverse result of the group's restructuring and the emergence of cheap rival technology was in defecting staff taking existing business with them. In the US, business lost to former Wace personnel had led to "substantial losses of money" in the pre-press operations.

There were also continuing difficulties with a greetings card manufacturing plant in Ireland, acquired from Hallmark at the end of 1995.

In addition, a downturn in the spirit market had hit demand for labels, which accounts for about 10 per cent of the £120m of UK sales last year. Margins in other areas of printing remained competitive.

Mr Puckett said a decision on whether dividends would be paid on the convertible preference and ordinary shares would be taken at board meetings in July and August respectively.

Ashley Ashwood

Peter Brown, who will take over as chairman after the annual meeting this month

Reed Elsevier in Microsoft deal

By Raymond Snoddy

Reed Elsevier, the Anglo-Dutch media and information group, has signed a letter of intent to form a five-year strategic relationship with Microsoft, the world's biggest software house.

As part of the five-year agreement, Reed Elsevier, whose interests include scientific and business publishing worldwide, will pay a total of $30m to use Microsoft Commercial Internet Systems and other Microsoft developments.

Apart from using Microsoft systems to support 26,000 Reed Elsevier employees all over the world, the Anglo-Dutch group will be involved in the development of new software to replace its current incompatible systems.

The agreement is part of Microsoft's strategy of forming strategic alliances in various sectors.

Reed Elsevier is to be Microsoft's partner in the scientific, professional and business publishing and information industry.

Mr Nigel Stapleton, Reed Elsevier co-chairman, said yesterday: "By entering into such a wide-ranging strategic relationship with Microsoft, we expect to deliver state-of-the-art electronic information products to our customer in a more timely and efficient manner."

The deal is part of a continuing process in which Reed Elsevier aims to move up "the value chain" beyond the retrieval and selling of information.

Capital pays £65m to acquire Virgin Radio

By Raymond Snoddy

Capital Radio, yesterday became the dominant player in the UK commercial radio market, by buying Mr Richard Branson's Virgin Radio Group for £64.7m ($104.8m) in new Capital shares.

The acquisition of Virgin Radio, which owns one of the UK's three national commercial licences and an FM licence in London will give Capital three radio stations in London. In addition to its existing AM and FM services, Capital said it would turn Virgin FM into a new London rock station aimed primarily at 25 to 44 year olds.

Capital will also take on £22m in Virgin Radio debt.

The deal, which is subject to regulatory approval, is possible because of a change in the law last year which increased the number of licences one company can own in important markets to three.

Mr Branson said yesterday: "We are not selling out. We are merging with Capital." Following the deal, Virgin will have a 14 per cent stake in an enlarged Capital and Virgin has to hold on to at least 90 per cent of the stake for a minimum of two years.

"We might even increase our stake over the years", said Mr Branson, who will become a non-executive director of Capital Radio.

In the year to the end of July 1996 Virgin Radio made an operating profit of £2.5m and pre-tax profits of £1.6m.

Mr Branson was considering floating Virgin Radio but Capital came with the acquisition proposal after it failed to win the last FM licence to be awarded in London under existing technology.

Mr Richard Eyre, Capital's managing director, said that an enlarged Capital would have the resources to commit to taking the company into digital audio broadcasting.

Capital also said it intended to withdraw from its involvement in Media sales and Marketing, its advertising sales house which had a 63 per cent share of the commercial radio market.

The company also announced a 9 per cent increase in headline pre-tax profits yesterday to £17m for the six months to March 31. Turnover was up 41 per cent to £53.9m.

Its shares fell 6p to 539p.

Ryanair seeks up to I£105m via flotation

By John Murray Brown in Dublin

Ryanair, the low-fare Irish airline, yesterday announced plans to raise up to I£105m ($157m) in a flotation to repay debt and enlarge its fleet.

The issue of about 54.2m shares comprises a public offering in Ireland and the US and a placing in Europe.

Morgan Stanley, the US bank lead-managing the deal, expects trading to start by the end of May, after a roadshow. Together with Investment Bank of Ireland, Morgan will jointly underwrite the offering, which comprises 33.3m new shares and 20.8m shares being sold by existing shareholders. Ryanair estimates that about 35 per cent of the equity will be in public hands after the offering.

About 40 per cent of the proceeds will be taken out by the Ryan family, which currently owns about 62 per cent of the company, which was founded by Mr Tony Ryan. Mr Ryan was formerly head of GPA, the aircraft leasing company that came close to bankruptcy following a failed London flotation in 1992, and has long voiced his reservations about a London float for Ryanair.

Ryanair will have quotations on the Irish Stock Exchange and Nasdaq.

The airline envisages a strike price between 165p and 195p. A mid-range price of 180p puts the company on an historic p/e of about 12 times.

The offering will allow Ryanair to pay off its I£41m debt, and purchase a further six aircraft, bringing its fleet to 19.

Mr Michael O'Leary, chief executive, predicted passenger volumes would rise from 3.3m in 1996 to 4m in 1997, achieving 20-30 per cent annual growth over the next five years.

Ryanair is the market leader on the Dublin-London route, which last year overtook Paris-London as the busiest European air corridor. Its Ireland-UK routes account for 70 per cent of passengers but the airline expects half its growth in 1998 to come from its new continental routes to Paris and Brussels.

Ryanair, which accumulated losses of I£20m in its first four years to 1990, made pre-tax profits of I£25.6m in the year to March 31.

Most of Eurotunnel claim rejected

By Charles Batchelor, Transport Correspondent

A special disputes panel set up to hear a £1bn ($1.62bn) claim by Eurotunnel against Transmanche-Link, the tunnel contractor, for supplying allegedly faulty equipment, yesterday dismissed most of the claim.

TML, a consortium of five British and five French contractors, estimated its possible remaining liability at only about £50m. Even that sum might be passed on to an unnamed subcontractor who supplied rolling stock.

Eurotunnel said it would consider at its next board meeting whether to submit its claim to arbitration by the International Chamber of Commerce.

The claim against TML is the third in a series of actions launched by Eurotunnel. It lost an earlier £2.5bn claim against the French and British railways for higher tunnel fees and failed to stop duty-free sales by ferries. The European Court of Justice is looking at the duty-free issue.

Eurotunnel said the panel, consisting of two French and two British engineers headed by a French lawyer, had recognised the merits of most of its claims but declared "a large number," including its claim for loss of revenues, inadmissible.

According to Eurotunnel, the panel had accepted that it was entitled to damages for problems with the rolling stock and was encouraging the two sides to negotiate appropriate compensation.

TML said that all that was left was a claim for a "relatively minor sum of money" relating to a rolling-stock subcontractor. It said that while its counter-claim had been dismissed it could pursue it by other legal means.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Amiex $	Yr to Dec 31	15.6	(15.2)	1.15L	(2.83L♠)	2.49†L	(7.07L)	-	-	-	-	-
Birmingham City Φ	6 mths to Feb 28	4.59	(-)	2.68	(-)	-	(-)	-	-	-	-	-
BP	3 mths to Mar 31	-	(-)	957	(1,002)	10.6	(12.9)	5.25	Aug 4	4.25	-	19.5
Cantab Pharms	3 mths to Mar 31	5.38	(0.017)	3.38	(1.81L)	21†	(17L)	-	-	-	-	-
Capital Radio	6 mths to Mar 31	53.9	(38.1)	18.1♥	(15.6)	16.1	(14.1)	4.3	July 1	4	-	12.5
Chesterfield Props	Yr to Dec 31	37.9	(37.2)	1.76♠	(7.97)	11.35L	(20.8)	9	June 21	9	13.4	13.4
Colt Telecom	3 mths to Mar 31	15	(4.89)	6.65L	(2.87L♠)	4L	(6L)	-	-	-	-	-
Lambert Smith	Yr to Jan 31	33	(8.25)	1.61♠	(1.27L)	10.9†	(76.9L)	1.6	July 1	nil	1.6	nil
Linton Park	Yr to Dec 31	169.9	(174.8)	10.9	(9.77♥)	39.5†	(37.1)	13.75大	July 8	12.5	20	18.75
Network Techn Φ	6 mths to Mar 31 ★	8.54	(6.78)	1.81	(1.4)	4.04†	(3.13)	0.5	July 2	-	-	0.5
Raphael Zorn Hem Φ	6 mths to Mar 31	3.58	(2.8)	1.2	(0.74)	8.4	(5.3)	-	-	-	-	-
Sidlaw	6 mths to Mar 31	83.2	(141.2)	17.4♥	(4.01L♠)	21.8	(5.4L)	1	July 11	1	-	2
Warnford Invs	Yr to Dec 25	12.5	(11.4)	9.86	(7.11)	18.33	(12.84)	5	Oct 6	5	7.75	7.75

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Gartmore Euro	6 mths to Mar 31 ★	224.7	(193.6◆)	0.077L	(0.031L)	0.4L	(0.18L)	-	-	-	-	1.5
Invesco Blue Chip	Yr to Mar 31	-	(-)	-	(-)	-	(-)	5.495	June 13	5.495	8.4	8.4
Invesco Recovery	6 mths to Apr 30	-	(-)	-	(-)	-	(-)	4	June 13	4	-	8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. $US currency. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. 大Foreign income dividends throughout. ★Comparatives restated. ◆At September 30.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for 07.05.1997 | Final Prices for Trading 09.04.1997

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	11.62	18.45	18.76	0.79
0100	11.62	11.81	11.81	0.00
0130	11.81	18.45	18.76	0.79
0200	14.51	18.45	18.76	0.79
0230	14.93	18.45	18.76	0.79
0300	14.93	18.45	18.76	0.79
0330	14.93	18.45	18.76	0.79
0400	14.93	18.45	18.76	0.79
0430	18.02	18.45	18.76	0.79
0500	18.02	18.45	18.76	0.79
0530	18.14	22.35	22.66	0.79
0600	18.14	22.35	22.66	0.79
0630	18.14	11.67	11.67	0.00
0700	19.41	23.74	24.04	0.79
0730	24.45	25.52	25.83	0.79
0800	22.18	35.02	35.34	0.79
0830	25.67	51.41	51.74	0.79
0900	25.79	51.43	51.76	0.79
0930	25.43	36.03	36.35	0.79
1000	25.65	29.08	29.42	0.79
1030	25.65	34.69	35.01	0.79
1100	25.44	34.69	35.01	0.79
1130	25.50	34.69	35.01	0.79
1200	25.50	29.08	29.41	0.79
1230	25.41	29.08	29.40	0.79
1300	28.24	29.79	30.11	0.79
1330	25.10	29.78	30.09	0.79
1400	29.56	25.32	25.63	0.79
1430	29.94	24.27	24.58	0.79
1500	28.48	24.27	24.57	0.79
1530	23.45	29.77	30.08	0.79
1600	23.48	29.77	30.08	0.79
1630	25.08	29.77	30.08	0.79
1700	30.03	29.77	30.08	0.79
1730	25.39	29.77	30.08	0.79
1800	25.32	29.77	30.08	0.79
1830	21.97	24.26	24.57	0.79
1900	20.22	23.10	23.41	0.79
1930	19.79	23.10	23.41	0.79
2000	19.44	23.10	23.41	0.79
2030	11.62	33.69	34.00	0.79
2100	19.45	46.80	47.10	0.79
2130	52.28	46.80	47.10	0.79
2200	52.28	46.80	47.10	0.79
2230	31.69	38.21	38.52	0.79
2300	22.68	33.69	34.00	0.79
2330	19.41	19.76	20.07	0.79
2400	19.41	20.92	21.22	0.79

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the Pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 5789 between 8:30am and 5:15pm Monday to Friday.

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INTERNATIONAL CAPITAL MARKETS

UK gilts surge on rise in base rates

GOVERNMENT BONDS

By Michael Lindemann in London and Jane Martinson in New York

UK gilts took centre- stage yesterday, marking their single biggest leap since the Conservative government scraped back into government in April 1992.

News that the Bank of England was to be virtually independent of the government and a 0.25 per cent increase in interest rates lifted gilts by $2\frac{9}{32}$ to $113\frac{13}{32}$.

Profit-taking during the afternoon brought prices back down to $112\frac{27}{32}$, but they settled back at $113\frac{13}{32}$, up 2from Friday's close of $111\frac{1}{8}$.

The 10-year yield spread of gilts over bunds tightened to 146 basis points from 171 points on Friday, considerably lower than most analysts predicted after the election.

However, analysts suggested gilts could drift lower in the coming days as the market digested the implications of Bank of England independence.

"Whether or not independence is a good thing depends on who the independents on the [Bank of England] committee are," said Mr Julian Jessop, chief European economist at Nikko Securities.

French OATs produced the most lacklustre performance among European bond markets. The June notional future settled at 129.48, unchanged from Monday..

Ms Phyllis Reed, European bond strategist at BZW, blamed the poor performance on renewed worries about the outcome of France's June election.

German bunds picked up on news that seasonally adjusted unemployment rose by 8,000 in April but felt downward pressure from data showing a preliminary rise of 1.1 per cent in March manufacturing orders. The June long bund closed at 101.86, up 0.31 on the day.

Improved bond sentiment across Europe helped Italian BTPs 0.99 higher to settle at 128.83. Spanish bonos followed suit, gaining 0.85 on the day. Auctions of three-year and 10-year bonds were backed by strong demand.

US Treasuries weakened in mid-session as new supply from two government auctions helped depress demand following a strong performance in the past week.

Benchmark 30-year Treasury bonds fell ⅛ to $99\frac{11}{16}$ to yield 6.885 per cent.

An auction of $17.25bn three-year bonds at 1pm appeared to be the chief cause of the selling. Indicative pricing put the yield at about 6.45 per cent before the lunchtime deadline.

The quarterly sale of 10-year bonds will put another $12bn in the market. "After a strong run last week, just under $30bn is going to have some effect," said one broker. However, both notes were expected to sell well.

Prices were squeezed across the yield curve with the two-year bond rising to a yield of 6.272 per cent while the 10-year bond rose to yield 6.658 per cent.

Yesterday's slight weakness in the dollar created some foreign selling.

One trader said there was a "good chance" the yield would rise above 7 per cent, but not until the position on interest rates was clarified when the Federal Reserve's open markets committee meets on May 20.

Russian push by London Forfaiting

By John Thornhill in Moscow

London Forfaiting yesterday agreed an $80m loan facility for Mosbusinessbank, one of Russia's largest commercial banks, as the specialist finance house continued its expansion in eastern Europe.

The deal is the latest in a string of syndicated loans arranged by London Forfaiting in which it has matched Russian companies' needs to raise capital with investors' desires to increase their exposure to the region.

Mr Victor Papadopoulos, director, said London Forfaiting would have arranged $500m of financing for Russian companies by the summer, giving it a leading position in the recently-created debt market.

London Forfaiting, which has long-established relationships in eastern Europe through its trade financing arm, has already arranged short-term loan facilities for several Russian banks, including Tokobank, Mezhcombank, and Rossisky Kredit, as well as some big corporations, such as Gazprom.

"The requirements for capital in Russia are massive, whether it comes from the sovereign borrower, or corporations, or municipal authorities," Mr Papadopoulos said. We believe the economic fundamentals in Russia are beginning to come right."

The syndicated loans market has grown quickly in Russia as borrowers have sought cheap international capital. The most eye-catching deal came last month, when Dresdner Bank arranged a $2.5bn loan for the Gazprom gas monopoly through a 57-bank syndicate.

Ms Danielle Downing, emerging markets strategist at investment bank Salomon Brothers, said it made sense for Russian companies to use debt rather than equity to finance expansion.

"I think the debt markets are the logical way for Russian companies to raise money," she said. "They were privatised at very low valuations and now they are beginning to get their balance sheets in order, they can issue debt far more cheaply than equity."

Several Russian banks have been rated by international ratings agencies and the cost of borrowing is beginning to fall from initial rates of about 450 basis points over Libor (the London interbank offered rate). Competition to lend money from more strongly-capitalised investment banks has also begun to cut margins.

On Monday, Oneximbank, one of Russia's biggest banks, received a $50m six-month loan from a Citibank-led syndicate paying 412 basis points over Libor.

Mr Papadopoulos said the margins available to lenders in Russia remained high by international standards, but reflected the obvious risks of operating in an underdeveloped market where the legal system was still "fluid".

"The attractive margins reflect some of the speculative nature of this lending," he said. "But as confidence grows, Russian banks will be able to borrow longer and cheaper. There will be a downward trend in margins, but they will not come cascading down."

Trading dominated by sterling issues

INTERNATIONAL BONDS

By Edward Luce and Samer Iskandar

The World Bank's £750m bond took the limelight yesterday in trading that was dominated by sterling-denominated issues.

Priced to yield just 2 basis points more than five-year gilts, the World Bank issue was reportedly being supported by syndicate members at its re-offer level last night.

Officials at BZW, the lead manager, said about two-thirds of the offering would be cleared by lunchtime today, once distribution to Asia had taken place overnight. The issue would be distributed evenly between the UK, continental Europe and east Asia.

"This is designed to be a benchmark issue so we want the broadest investor base possible," said Mr Gumersindo Oliveros, senior manager at the World Bank's treasury department.

He added that the bank had been looking to do the issue for some time - and yesterday was ideal after the move by Mr Gordon Brown, the UK chancellor, to raise interest rates.

One banker involved in the deal said you had "to be extremely brave to launch a deal like this" on such a volatile day. "We have not seen much demand and BZW should be prepared to continue supporting for a while," he added.

Deutsche Morgan Grenfell repackaged sovereign bonds from European Union governments through RIBS – a special purpose vehicle set up to hold government bonds and securitise them. It was formed to buy all types of European government bonds. The deal is a DM750m floating-rate issue maturing in June 2001.

Deutsche said the positive margin of 8 basis points over Libor had helped the deal go "extremely well".

The securities underlying yesterday's deal are all rated AAA by Standard & Poor's, the US credit rating agency. They also all mature in June 2006. The RIBS deal is part of a DM5bn programme of euro-medium-term notes.

Elsewhere, Coca-Cola Amatil, the licensed bottler for Australia and parts of Asia which is partly owned by Coca-Cola of the US, tapped the dollar sector for $300m.

SBC Warburg, the lead manager, described the deal as a "fantastic success", adding that it was sold out within hours.

"The five-year dollar sector is extremely well bid," said a syndicate official. "This maturity falls within the reach of Swiss retail investors." Small investors have a preference for short- to medium-dated maturities and the name recognition of the issuer is a favourable selling factor.

SBC also said the yield spread had held steady throughout the day after the launch, at around 22 basis points over US Treasuries.

ABB Finance, the financing arm of the Swiss-Swedish conglomerate Asea Brown Bovery, also tapped the dollar sector.

Lead manager UBS said the seven-year issue was motivated by rising demand for paper with maturities of more than five years.

"We had seen some extension trades on the back of expectations of a yield curve flattening," said an official. "Investors are also realising that they need to go further out on the curve to pick up yield."

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Coca-Cola Amatil	300	6.75	99.527R	May 2002	0.275R	+22(6%Apr02)	SBC Warburg
ABB Finance Inc	250	6.75	99.47R	Jun 2004	0.325R	+20(6%Apr02)	UBS
Banco BCN Barclays(a)	100	(a1)#	99.565R	May 2005	0.875R	+255(6%%-02)	Barclays de Zoete Wedd
Norgeskredit(b)‡	100	(b1)	99.848R	May 2001	0.40R	-	Bear Stearns/Yamaichi
Tabriza (Cayman) Invs	75	9.75#	99.74R	May 2002	0.625R	+325(6%%-02)	Deutsche Morgan Grenfell
Handlowy Finance(c)	50	7.125	99.958R	May 2000	0.25R	+60(5%Feb00)	JP Morgan Securities
D-MARKS							
RIBS(d)‡	750	(d1)	100.005	Jun 2001	0.125	-	Deutsche Morgan Grenfell
World Bank(e)	500	4.625	100.785R	Dec 2001	0.25R	+11(5%May01)	WestLB
BNG	300	4.625	99.56R	Jun 2002	0.25R	+19(4%Nov01)	ING Barings/Paribas
STERLING							
World Bank(f)	750	7.00	99.792R	Jun 2002	0.25R	+2(7%Jun02)	Barclays de Zoete Wedd
UBS (London Branch)(s)	250	7.375	99.513R	Nov 2004	0.325R	+39(6%%-04)	UBS
Electricité de France(l)	100	6.50#	100.10	May 2000	1.375	-	Nomura International
FRENCH FRANCS							
Merrill Lynch & Co(s)	1.5bn	5.125	99.89R	Nov 2002	0.30R	+32(8%Nov02)	Merrill Lynch Finance
SWISS FRANCS							
Abbey Natl Treasury Services	200	3.00	101.50	Jun 2008	2.25	-	CSFB
ITALIAN LIRE							
European Investment Bank(f)	250bn	7.00	100.255	Feb 2007	1.875	-	BNP/IMI Lux/San Paolo
GUILDERS							
ING Bank	700	6.00	99.00R	May 2007	0.425R	+47.3(l)	ING Barings
PESETAS							
Norddeutsche Landesbank	10bn	5.80	101.17	Jun 2001	1.50	-	BCH
AUSTRALIAN DOLLARS							
NSW Treasury Corp	100	7.50	98.82	Jun 2007	2.125	-	Hambros Bank
State Bank of NSW	100	7.25	100.95	Jun 2002	2.00	-	Hambros Bank
RAND							
Rabobank Nederland	250	15.125	100.165R	Jun 1999	0.125R	-	Toronto Dominion Bank
World Bank	200	15.25	100.75	Jun 1998	1.00	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Callable & puttable on 15/5/02 at par. a1) 9% to 15/5/02, then 9⅛. b) Callable from May 02 at par. b1) 3-mth Libor +30bp to May 02, then +105bp. c) $150m launched 30/4/97 increased to $200m. d) Underlying: Triple-A rated EU sovereign securities. d1) 3-mth Libor +8bp. e) Fungible with DM500m. Plus 184 days accrued. f) Fungible with L1,000bn. Plus 120 days accrued. l) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	93.6061	+0.260	7.71	7.94	7.97
Austria		5.750	04/07	100.0900	+0.130	5.74	5.85	5.80
Belgium		6.250	03/07	102.8200	+0.120	5.86	5.97	5.98
Canada *		7.000	12/06	103.6000	-	6.49	6.71	6.56
Denmark		8.000	03/06	110.4200	+0.180	6.42	6.52	6.67
France	BTAN	4.750	03/02	100.1250	-	4.72	4.77	4.83
	OAT	5.500	04/07	98.6500	+0.130	5.68	5.78	5.77
Germany Bund		6.000	01/07	102.0200	+0.120	5.72	5.85	5.86
Ireland		8.000	08/06	108.9600	+0.410	6.67	6.74	6.85
Italy		6.750	02/07	96.1200	+0.590	7.31†	7.54	7.75
Japan	No 145	5.500	03/02	117.0510	−0.780	1.71	1.55	1.55
	No 182	3.000	09/05	104.0369	−0.890	2.42	2.30	2.34
Netherlands		5.750	02/07	100.8400	+0.080	5.63	5.74	5.74
Portugal		9.500	02/06	118.8000	+0.250	6.61	6.76	6.99
Spain		7.350	03/07	104.3900	+0.250	6.71	6.84	7.07
Sweden		8.000	08/07	106.0581	+0.440	7.14	7.31	7.40
UK Gilts		7.000	06/02	100–10	+23/32	6.93	7.25	7.28
		7.250	12/07	101–06	+67/32	7.09	7.55	7.56
		9.000	10/08	114–06	+79/32	7.16	7.64	7.64
US Treasury *		6.250	02/07	97–01	−3/32	6.67	6.78	6.69
		6.625	02/27	96–20	−5/32	6.89	7.01	6.90
ECU (French Govt)		7.000	04/06	106.6100	−0.100	6.02	6.14	6.23

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.29
Prime rate	$8\frac{1}{2}$	Two month	-	Three year	6.42
Broker loan rate	$7\frac{3}{4}$	Three month	5.19	Five year	6.56
Fed.funds	$5\frac{7}{16}$	Six month	5.59	10-year	6.68
Fed.funds at intervention	-	One year	5.88	30-year	6.91

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	129.50	129.48	−0.02	129.66	129.32	101,191	149,908
Sep	127.94	127.94	-	128.10	127.86	661	10,359
Dec	97.50	97.48	−0.02	97.50	97.50	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jun	CALLS Jul	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Sep
127	2.54	1.52	1.95	0.07	0.59	1.02
128	1.67	0.88	1.34	0.19	0.94	1.40
129	0.86	0.45	0.87	0.39	1.51	1.92
130	0.30	0.19	0.53	0.82	-	-
131	0.07	0.05	0.29	1.59	-	-

Est. vol. total, Calls 13,363 Puts 41,842. Previous day's open int., Calls 109,350 Puts 143,165.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.84	101.86	+0.31	101.90	101.61	155286	276340
Sep	100.80	100.85	+0.33	100.85	100.65	5439	23551

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
10150	0.63	0.46	0.66	0.84	0.27	1.11	1.31	1.49
10200	0.34	0.29	0.47	0.63	0.48	1.44	1.62	1.78
10250	0.16	0.18	0.32	0.47	0.80	1.83	1.97	2.12

Est. vol. total, Calls 18210 Puts 13757. Previous day's open int., Calls 197524 Puts 233412

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	128.25	128.83	+0.99	128.94	128.15	61248	109334
Sep	128.70	129.10	+1.06	129.05	128.55	959	5946

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
12850	0.97	2.48	0.64	1.88
12900	0.70	2.18	0.87	2.08
12950	0.48	1.90	1.13	2.30

Est. vol. total, Calls 4892 Puts 2665. Previous day's open int., Calls 113151 Puts 119238

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	114.30	114.57	+0.40	114.69	114.13	61,633	76,063
Sep	-	113.73	-	-	-	516	549

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	111-14	113-13	+2-09	113-24	111-02	232532	179493
Sep	111-10	113-16	+2-14	113-22	111-06	3763	3636

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
113	0-58	1-32	1-48	2-20	0-32	1-00	1-16	1-52
114	0-27	1-00	1-16	1-60	1-01	1-32	1-48	2-28
115	0-12	0-45	0-56	1-25	1-50	2-13	2-24	2-57

Est. vol. total, Calls 43356 Puts 2974. Previous day's open int., Calls 70686 Puts 26713

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	95.14	95.02	−0.06	95.14	94.92	796	6,082
Sep	-	94.64	−0.06	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	110–01	109–23	−0–10	110–07	109–22	155,105	482,011
Sep	109–20	109–11	−0–09	109–24	109–09	3,139	58,931
Dec	109–03	108–31	−0–09	109–03	108–31	1,270	10,104

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	124.46			124.48	124.36	2581	n/a
Sep	123.16			123.18	123.05	684	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Tue May 6	Day's change %	Fri May 2	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	120.52	0.33	120.11	2.30	4.14
2 5-15 years (21)	153.92	1.67	151.40	3.46	3.12
3 Over 15 years (6)	179.81	3.77	173.27	5.60	3.16
4 Irredeemables (5)	207.29	4.33	198.69	4.90	2.37
5 All stocks (51)	147.74	1.66	145.33	3.42	3.60
Index-linked					
6 Up to 5 years (2)	205.00	0.20	204.60	0.56	3.03
7 Over 5 years (10)	198.97	0.80	197.40	1.50	2.32
8 All stocks (12)	198.54	0.73	197.09	1.40	2.37

UK Indices

	Low coupon yield May 6	Low May 2	Low Yr. ago	Medium coupon yield May 6	Medium May 2	Medium Yr. ago	High coupon yield May 6	High May 2	High Yr. ago
5 yrs	6.93	7.13	7.65	6.98	7.19	7.69	7.03	7.23	7.81
15 yrs	7.17	7.50	8.40	7.17	7.52	8.42	7.14	7.41	8.50
20 yrs	7.24	7.58	8.47	7.18	7.56	8.47	7.14	7.42	8.54
Irred.†	7.38	7.70	8.51						

	Inflation 5% May 6	May 2	Yr. ago	Inflation 10% May 6	May 2	Yr. ago
Up to 5 yrs	3.23	3.29	2.67	2.62	2.67	1.31
Over 5 yrs	3.50	3.56	3.80	3.30	3.36	3.60

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	May 6	May 2	May 1	Apr 30	Apr 29	Yr ago	High*	Low*
Govt. Secs. (UK)	96.80	94.65	94.43	94.59	93.82	91.57	96.80	93.31
Fixed Interest	118.83	117.31	117.21	117.03	116.73	111.46	120.18	115.32

Gilt Edged Activity Indices

	May 2	May 1	Apr 30	Apr 29	Apr 28
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until the end of May.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 6

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury $6\frac{1}{2}$ 03	1000	$97\frac{3}{4}$	98		6.97
ABN Amro Bank $7\frac{1}{4}$ 05	1000	100	$100\frac{1}{4}$	$+\frac{1}{8}$	7.38
Spain $7\frac{1}{4}$ 03	4000	$110\frac{1}{2}$	$110\frac{5}{8}$	$+\frac{1}{8}$	5.12
Volkswagen Intl Fin 7 03	1000	$107\frac{7}{8}$	$108\frac{1}{4}$	$+\frac{1}{8}$	5.44
World Bank $5\frac{7}{8}$ 03	3000	$104\frac{1}{8}$	$104\frac{1}{8}$	$+\frac{1}{4}$	5.11
Abbey Natl Treasury 8 03 £	1000	$102\frac{1}{2}$	$102\frac{3}{4}$	+1	7.46
British Land $8\frac{7}{8}$ 23 £	150	$105\frac{7}{8}$	$106\frac{1}{8}$	$+4\frac{3}{8}$	8.49
Denmark $6\frac{3}{4}$ 98 £	800	$99\frac{3}{4}$	$99\frac{7}{8}$	$+\frac{1}{8}$	6.92
[illegible]					

The remainder of the FT/ISMA table (U.S. dollar, Swiss franc, yen and other straights, floating rate notes, convertible bonds) is [illegible].

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. [illegible]

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

Brown's Bank reforms boost pound

MARKETS REPORT

By Simon Kuper

Sterling rose yesterday after Mr Gordon Brown, the new UK chancellor, granted the Bank of England the right to set interest rates. Before ceding the power he raised base rates himself, by 25 basis points to 6.25 per cent.

The pound rose with gilts on hopes that the Bank would be tougher than any chancellor on inflation, reducing it to structurally lower levels. A Bank council is to set rates to meet an inflation target – now 2.5 per cent – which the government will determine.

Mr Brown announced the changes after his first monetary policy meeting with Mr Eddie George, the Bank of England governor. It had been brought forward a day.

The pound closed in London 1.6 cents higher against the dollar at $1.637 and 1.3 pfennigs up against the D-Mark at DM2.820.

The dollar fell after Mr Ernst Welteke, Bundesbank council member, said the bank "would not be enthused" if the US currency rose further. Its gains in recent months had raised German import prices slightly, and that could affect producer and then consumer prices, Mr Welteke said. But the Bundesbank later denied reports that he had specified desired limits for dollar/D-Mark.

Another council member, Mr Klaus-Dieter Kuehbacher, took a different line yesterday, saying: "Our exporting economy can live very well with the dollar rate." He added: "But the Group of Seven has repeatedly said that it wants the exchange rate to develop calmly." German industrial orders for March emerged strong yesterday, buoyed by exports.

The yen benefited as the Nikkei 225 stock index rose above 20,000 for the first time this year. The Nikkei's longstanding weakness has helped keep Japan from raising interest rates.

The dollar dropped 0.9 pfennigs against the D-Mark to DM1.723 and Y1.4 against the yen to Y125.4.

■ Short sterling futures contracts soared on hopes that if UK inflation fell, interest rates would too. Buoyed by gilts, the March 1999 contract jumped 23 basis points to price in base rates of below 7.25 per cent. Longer contracts rose even more, but on very thin volumes.

The shorter end contracts also rallied, because yesterday's base rate rise was below some expectations. The June 1997 contract rose 7 basis points, but is still pricing in another 25-point rise. The December contract gained 11 basis points.

■ Mr Brown said yesterday that he wanted "a stable and competitive pound". This was taken to mean that he wanted a weaker pound. But market economists greeted most of yesterday's events as good news for sterling.

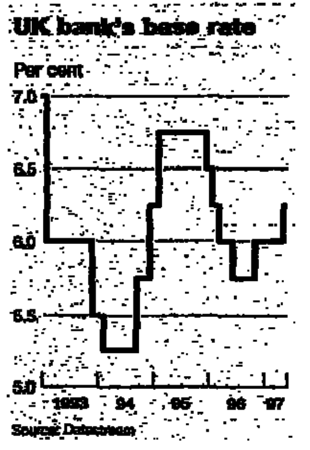
They disagreed with the money market's bet that rates would fall in the short term. Mr Philip Shaw, chief economist at Union Discount in London, questioned the wisdom of the rally in the December 1997 short sterling futures contract. He forecast higher rates, which would buoy the pound.

On the long term, said economists, a tough Bank line would probably help sterling by reducing inflation. "We will move towards a sort of Bundesbank mentality," said Mr Peter Ostler, head of research at GNI in London. Mr Michael Scarlatos, currency strategist at Bankers Trust in London, said sterling remained a safe haven from Emu, but now carried a much reduced traditional risk of depreciation.

Mr Robin Marshall, chief economist at Chase in London, added: "The speed with which the incoming government has moved has impressed the market." There had been talk that this week's monetary policy meeting would be cancelled, not brought forward.

Mr Brown also introduced a new variable to the sterling equation: Emu. The Maastricht treaty states that countries joining Emu must have an independent central bank. The Bank of England is still not that, but to make it so after yesterday "would be a much more marginal tweak", said Mr Marshall. Mr Brown is a known Emu enthusiast. Yesterday's J.P. Morgan Emu Calculator showed the interest rate swaps market pricing in a 50 per cent chance of the UK joining monetary union, up from 35 per cent a week ago.

UK bank's base rate



Source: Datastream

■ Pound in New York

May 6	---Latest---	-- Prev. close --
£ spot	1.6375	1.6230
1 mth	1.6366	1.6220
3 mth	1.6349	1.6202
1 yr	1.6281	1.6128

■ OTHER CURRENCIES

May 6	£	$
Czech Rp	50.1479 - 50.2215	30.6480 - 30.6790
Hungary	297.936 - 298.163	182.090 - 182.140
Iran	4911.00 - 4908.60	3000.00 - 3000.00
Kuwait	0.4976 - 0.4980	0.3041 - 0.3042
Poland	5.1683 - 5.1737	3.1575 - 3.1605
Russia	9417.97 - 9425.85	5756.00 - 5758.00
U.A.E.	6.0065 - 6.0127	3.6710 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

May 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.8484	+0.0884	402 - 565	19.9342	19.6595	19.7949	3.2	19.7069	2.9	-	-	103.4
Belgium	(BFr)	58.2057	+0.2825	669 - 445	58.4450	57.8290	58.0507	3.2	57.7357	3.2	56.3057	3.3	103.1
Denmark	(DKr)	10.7435	+0.0473	392 - 477	10.7935	10.6420	10.718	2.8	10.6855	2.9	10.444	2.8	105.9
Finland	(FM)	8.4901	+0.018	819 - 983	8.5340	8.4100	-	-	-	-	-	-	82.5
France	(FFr)	9.5185	+0.0442	153 - 216	9.5581	9.4231	9.4943	3.1	9.4464	3.0	9.2238	3.1	105.9
Germany	(DM)	2.8199	+0.0124	188 - 210	2.8329	2.7925	2.8123	3.2	2.7963	3.3	2.726	3.3	104.7
Greece	(Dr)	448.159	+2.092	763 - 554	449.671	444.006	-	-	-	-	-	-	65.5
Ireland	(I£)	1.0889	+0.0006	868 - 910	1.0968	1.0779	1.089	-0.1	1.088	0.3	1.081	0.7	96.8
Italy	(L)	2794.25	+18.69	234 - 616	2802.85	2763.18	2795.95	-0.7	2797.35	-0.4	2801.2	-0.2	76.0
Luxembourg	(LFr)	58.2057	+0.2825	669 - 445	58.4450	57.8290	58.0507	3.2	57.7357	3.2	56.3057	3.3	103.1
Netherlands	(Fl)	3.1720	+0.014	706 - 733	3.1871	3.1417	3.1635	3.2	3.1456	3.3	3.0674	3.3	102.8
Norway	(NKr)	11.6819	+0.0663	749 - 888	11.6983	11.5472	11.6614	3.1	11.5919	3.1	11.3459	2.9	98.8
Portugal	(Es)	283.549	+1.608	390 - 709	285.151	280.948	283.399	0.6	283.024	0.7	-	-	94.2
Spain	(Pta)	238.166	+1.443	067 - 265	239.140	235.580	238.006	0.8	237.566	1.0	234.811	1.4	77.8
Sweden	(SKr)	12.7834	-0.0546	743 - 925	12.8923	12.7465	12.7619	2.0	12.7198	2.2	12.5189	2.1	83.4
Switzerland	(SFr)	2.3961	+0.003	951 - 971	2.4084	2.3790	2.3868	4.7	2.3676	4.8	2.2837	4.7	104.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	100.6
Ecu	-	1.4466	+0.0079	458 - 474	1.4523	1.4327	1.444	2.2	1.4381	2.4	1.4109	2.5	-
SDR†	-	1.16958	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6364	+0.0158	359 - 368	1.6402	1.6163	-	-	-	-	-	-	-
Brazil	(R$)	1.7423	+0.017	417 - 429	1.7464	1.7204	-	-	-	-	-	-	-
Canada	(C$)	2.2563	+0.0165	553 - 573	2.2588	2.2289	2.25	3.3	2.2386	3.1	2.1968	2.6	85.1
Mexico	(New Peso)	12.8915	+0.0856	851 - 979	12.9445	12.7665	-	-	-	-	-	-	-
USA	($)	1.6366	+0.0156	362 - 370	1.6404	1.6165	1.6357	0.7	1.634	0.6	1.6273	0.6	105.4
Pacific/Middle East/Africa													
Australia	(A$)	2.1056	+0.0286	044 - 068	2.1100	2.0710	2.105	0.3	2.1031	0.5	2.093	0.6	98.2
Hong Kong	(HK$)	12.6794	+0.1213	755 - 833	12.7062	12.5243	12.6734	0.6	12.6628	0.5	12.6281	0.4	-
India	(Rs)	58.6476	+0.6563	923 - 028	58.7260	57.9430	-	-	-	-	-	-	-
Israel	(Shk)	5.5697	+0.0395	616 - 778	5.5821	5.5157	-	-	-	-	-	-	-
Japan	(Y)	205.246	-0.224	147 - 345	206.040	203.270	204.186	6.2	202.176	6.0	193.361	5.8	121.3
Malaysia	(M$)	4.1013	+0.0382	995 - 031	4.1108	4.0534	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3814	+0.0282	799 - 828	2.3880	2.3547	2.3813	0.1	2.3822	-0.1	2.3894	-0.3	115.3
Philippines	(Peso)	43.1408	+0.399	975 - 841	43.2080	42.6433	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1381	+0.0585	364 - 397	6.1520	6.0635	-	-	-	-	-	-	-
Singapore	(S$)	2.3670	+0.0238	656 - 684	2.3720	2.3399	-	-	-	-	-	-	-
South Africa	(R)	7.2903	+0.0663	860 - 945	7.3039	7.2080	-	-	-	-	-	-	-
South Korea	(Won)	1464.78	+17.21	113 - 839	1468.88	1446.93	-	-	-	-	-	-	-
Taiwan	(T$)	45.3911	+0.4488	391 - 431	45.4555	44.8417	-	-	-	-	-	-	-
Thailand	(Bt)	42.6662	+0.3743	394 - 930	42.7490	42.1740	-	-	-	-	-	-	-

† Rates for May 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.1278	-0.0622	258 - 298	12.2075	12.1020	12.1131	1.5	12.0678	2.0	11.8728	2.1	103.2
Belgium	(BFr)	35.5650	-0.168	500 - 800	35.7950	35.4780	35.505	2.0	35.3775	2.1	34.8375	2.0	103.2
Denmark	(DKr)	6.5645	-0.034	635 - 655	6.6093	6.5522	6.5556	1.6	6.5372	1.7	6.4555	1.7	105.3
Finland	(FM)	5.1877	-0.0388	839 - 914	5.2309	5.1785	5.1789	2.0	5.1602	2.1	5.0777	2.1	81.9
France	(FFr)	5.8160	-0.0287	155 - 165	5.8520	5.8030	5.8053	2.2	5.7843	2.2	5.676	2.4	105.4
Germany	(DM)	1.7231	-0.0089	228 - 233	1.7349	1.7195	1.7199	2.2	1.7134	2.3	1.6797	2.5	104.4
Greece	(Dr)	273.835	-1.345	660 - 010	276.160	273.050	275.39	-6.8	277.96	-6.0	288.985	-5.5	65.3
Ireland	(I£)	1.5030	+0.0135	005 - 055	1.5070	1.4915	1.5025	0.4	1.502	0.3	1.5033	0.0	-
Italy	(L)	1707.35	-4.9	660 - 810	1714.35	1702.25	1710.35	-2.1	1715.2	-1.8	1725	-1.0	75.9
Luxembourg	(LFr)	35.5650	-0.168	500 - 800	35.7950	35.4780	35.505	2.0	35.3775	2.1	34.8375	2.0	103.2
Netherlands	(Fl)	1.9382	-0.01	378 - 385	1.9511	1.9339	1.9344	2.4	1.9264	2.4	1.8908	2.4	102.7
Norway	(NKr)	7.1379	-0.0278	354 - 404	7.1739	7.1154	7.1341	0.6	7.1285	0.5	7.1029	0.5	98.5
Portugal	(Es)	173.255	-0.875	200 - 310	174.100	173.010	173.385	-0.9	173.535	-0.6	173.27	0.0	94.9
Spain	(Pta)	145.525	-0.51	500 - 550	146.200	145.190	145.615	-0.7	145.735	-0.6	145.53	0.0	77.7
Sweden	(SKr)	7.8110	-0.1088	073 - 146	7.9340	7.7965	7.8082	0.4	7.7984	0.6	7.751	0.8	82.5
Switzerland	(SFr)	1.4641	-0.0122	638 - 643	1.4775	1.4610	1.4593	3.9	1.4489	3.9	1.4043	4.1	103.7
UK	(£)	1.6366	+0.0156	362 - 370	1.6404	1.6165	1.6357	0.7	1.634	0.6	1.6273	0.6	99.7
Ecu	-	1.1314	+0.0046	310 - 317	1.1340	1.1259	1.1325	-1.2	1.1351	-1.3	1.1503	-1.7	-
SDR†	-	0.733385	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0646	+0.0002	645 - 647	1.0647	1.0644	-	-	-	-	-	-	-
Canada	(C$)	1.3787	-0.0031	784 - 789	1.3808	1.3770	1.3759	2.5	1.3706	2.4	1.3492	2.1	85.1
Mexico	(New Peso)	7.8770	-0.023	750 - 790	7.8790	7.8690	7.995	-18.0	8.2615	-19.5	9.122	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.7
Pacific/Middle East/Africa													
Australia	(A$)	1.2866	+0.0053	862 - 870	1.2872	1.2812	1.2873	-0.7	1.2881	-0.5	1.2934	-0.5	101.1
Hong Kong	(HK$)	7.7474	+0.0003	469 - 479	7.7480	7.7465	7.7473	0.0	7.7478	0.0	7.7589	-0.1	-
India	(Rs)	35.8350	+0.06	100 - 600	35.8600	35.7800	36.05	-7.2	36.51	-7.5	-	-	-
Israel	(Shk)	3.4032	-0.0084	991 - 073	3.4105	3.3980	-	-	-	-	-	-	-
Japan	(Y)	125.410	-1.345	380 - 440	126.820	125.270	124.875	5.1	123.85	5.0	119.05	5.1	121.4
Malaysia	(M$)	2.5060	-0.0005	055 - 065	2.5100	2.5040	2.5088	-1.4	2.5142	-1.3	2.5355	-1.2	-
New Zealand	(NZ$)	1.4551	+0.0034	545 - 556	1.4567	1.4545	1.4574	-1.9	1.4617	-1.8	1.4824	-1.9	-
Philippines	(Peso)	26.3600	-0.0075	400 - 800	26.3800	26.3400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7506	3.7503	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4463	+0.0008	458 - 468	1.4483	1.4454	1.4441	1.8	1.4395	1.9	1.4183	1.9	-
South Africa	(R)	4.4545	-0.002	530 - 560	4.4570	4.4530	4.4952	-11.0	4.5702	-10.4	4.885	-9.7	-
South Korea	(Won)	895.000	+2	000 - 000	897.300	892.800	-	-	-	-	-	-	-
Taiwan	(T$)	27.7350	+0.01	100 - 600	27.7660	27.6770	27.7351	0.0	27.7353	0.0	-	-	-
Thailand	(Bt)	26.0700	-0.02	600 - 800	26.1100	26.0180	26.16	-4.1	26.3275	-4.0	26.965	-3.4	-

† SDR rate per $ for May 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 5: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

May 6	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 1/8	3 3/16	3 1/4	3 11/32	3 15/32	6.00	2.50	-
France	3 1/4	3 11/32	3 7/16	3 17/32	3 5/8	3.10	-	4.75
Germany	3 3/16	3 3/16	3 1/4	3 5/16	3 3/8	4.50	2.50	3.00
Ireland	5 3/8	6 3/16	6 3/16	6 1/4	6 1/2	-	-	6.75
Italy	7 1/8	6 29/32	6 27/32	6 25/32	6 21/32	8.25	6.75	7.34
Netherlands	3 3/16	3 3/16	3 5/16	3 1/4	3 3/8	-	3.00	3.30
Switzerland	1 3/8	1 9/16	1 9/16	1 3/4	1 13/16	-	1.00	-
US	5 1/2	5 5/8	5 3/4	5 29/32	6 1/8	-	5.00	-
Japan	1/4	3/8	1/2	17/32	19/32	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 11/16	5 13/16	6	6 1/8	-	-	-
US Dollar CDs	-	5.54	5.65	5.78	6.02	-	-	-
ECU Linked Ds	-	4 1/2	4 1/2	4 3/8	4 1/2	-	-	-
SDR Linked Ds	-	3 1/2	3 5/8	3 3/4	3 25/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 6	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 3/4 - 3 1/4	3 5/16 - 3 3/16	3 1/4 - 3 1/8	3 5/16 - 3 3/16	3 3/8 - 3 9/32	3 7/16 - 3 11/32
Danish Krone	3 7/16 - 3 1/4	3 9/16 - 3 1/2	3 9/16 - 3 1/2	3 5/8 - 3 1/2	3 3/4 - 3 21/32	3 29/32 - 3 13/16
German Mark	3 1/8 - 2 7/8	3 1/8 - 3	3 3/16 - 2 15/16	3 3/16 - 2 15/16	3 5/16 - 3 3/16	3 3/8 - 3 1/8
Dutch Guilder	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3 1/4 - 3 1/8	3 3/8 - 3 5/16	3 7/16 - 3 3/8
French Franc	3 3/8 - 3 3/16	3 3/8 - 3 3/16	3 13/32 - 3 1/4	3 17/32 - 3 3/8	3 9/16 - 3 15/32	3 11/16 - 3 9/16
Portuguese Esc.	5 15/16 - 5 27/32	5 13/16 - 5 23/32	5 21/32 - 5 15/32	5 27/32 - 5 3/4	5 11/16 - 5 5/8	5 9/16 - 5 17/32
Spanish Peseta	5 5/8 - 5 17/32	5 5/8 - 5 17/32	5 17/32 - 5 13/32	5 13/32 - 5 11/32	5 7/16 - 5 9/32	5 5/16 - 5 1/4
Sterling	6 5/16 - 6 3/16	6 1/4 - 6 1/8	6 3/8 - 6 1/4	6 7/16 - 6 3/8	6 5/8 - 6 9/16	6 29/32 - 6 27/32
Swiss Franc	1 5/8 - 1 3/8	1 3/4 - 1 5/8	1 3/4 - 1 1/2	1 13/16 - 1 11/16	1 7/8 - 1 5/8	1 15/16 - 1 13/16
Canadian Dollar	3 1/16 - 2 15/16	3 1/8 - 3	3 1/8 - 3	3 5/16 - 3 3/16	3 19/32 - 3 15/32	4 1/16 - 3 15/16
US Dollar	5 19/32 - 5 15/32	5 5/8 - 5 17/32	5 21/32 - 5 17/32	5 13/16 - 5 11/16	5 31/32 - 5 7/8	6 3/32 - 6
Italian Lira	7 7/16 - 6 7/16	7 1/16 - 6 15/16	6 31/32 - 6 7/8	6 7/8 - 6 25/32	6 13/16 - 6 23/32	6 11/16 - 6 19/32
Japanese Yen	17/32 - 1/2	1/2 - 3/8	1/2 - 13/32	17/32 - 13/32	9/16 - 15/32	23/32 - 5/8
Asian $Sing	3 9/16 - 3 1/2	3 5/8 - 3 1/2	3 9/16 - 3 1/2	4 1/2 - 4	4 1/2 - 4	3 5/8 - 3 1/2

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.33	96.34	-0.01	96.37	96.33	27,279	69,506
Sep	96.43	96.42	-0.03	96.45	96.41	17,437	49,965
Dec	96.43	96.42	-0.03	96.45	96.41	7,114	34,901

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.78	96.79	+0.01	96.80	96.78	13413	231409
Sep	96.72	96.74	+0.02	96.74	96.72	35468	208977
Dec	96.60	96.60	+0.01	96.61	96.57	27053	230483
Mar	96.47	96.47	+0.02	96.47	96.43	18064	189296

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
May	96.81	96.81	-	96.81	96.81	15	4192
Jun		96.80	-			0	725
Jul		96.79	-			0	300
Aug		96.78	+0.01			0	5

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.26	93.27	+0.04	93.28	93.23	12526	111168
Sep	93.54	93.56	+0.05	93.57	93.53	9792	75350
Dec	93.65	93.69	+0.06	93.70	93.65	5411	51930
Mar	93.69	93.72	+0.07	93.72	93.67	2690	33622

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.18	98.16	-0.01	98.18	98.14	1852	55783
Sep	98.17	98.15	-0.02	98.17	98.14	3155	35693
Dec	98.06	98.04	-0.02	98.06	98.03	1300	22635
Mar	97.95	97.95	-0.01	97.96	97.95	265	9511

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		99.34	-0.01			0	n/a
Sep		99.15	-0.04			0	n/a
Dec		98.93	-0.07			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.86	95.84	-0.01	95.86	95.83	1261	7529
Sep	95.85	95.83	-0.02	95.86	95.82	526	5389
Dec	95.78	95.74	-0.02	95.76	95.75	75	5663
Mar	95.66	95.67	+0	95.69	95.66	95	3842

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.16	0.48	0.65	0.14	0.17	0.21
9350	0.05	0.32	0.48	0.28	0.26	0.29
9375	0.01	0.20	0.35	0.49	0.39	0.41

Est. vol. total, Calls 4438 Puts 551. Previous day's open int., Calls 144022 Puts 72919

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 6		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.35	4.845	1.871	4800	5.449	20.07	487.0	409.2	21.95	4.116	1.718	3.876	2.812	352.5	2.486
Denmark	(DKr)	54.20	10	8.863	2.626	1.014	2601	2.953	10.88	264.0	221.8	11.90	2.231	0.931	2.101	1.524	191.1	1.347
France	(FFr)	61.15	11.28	10	2.962	1.144	2935	3.332	12.27	297.8	250.2	13.43	2.517	1.051	2.370	1.720	215.6	1.520
Germany	(DM)	20.64	3.809	3.376	1	0.386	990.8	1.125	4.142	100.5	84.47	4.532	0.850	0.355	0.800	0.580	72.77	0.513
Ireland	(I£)	53.45	9.862	8.741	2.590	1	2566	2.913	10.73	260.3	218.7	11.74	2.200	0.918	2.072	1.503	188.4	1.329
Italy	(L)	2.083	0.384	0.341	0.101	0.039	100.	0.114	0.418	10.15	8.525	0.457	0.086	0.036	0.081	0.059	7.344	0.052
Netherlands	(Fl)	18.35	3.386	3.001	0.889	0.343	880.8	1	3.682	89.38	75.09	4.029	0.755	0.315	0.711	0.516	64.69	0.456
Norway	(NKr)	49.84	9.195	8.150	2.414	0.932	2392	2.716	10	242.7	203.9	10.94	2.051	0.856	1.932	1.402	175.7	1.239
Portugal	(Es)	20.53	3.788	3.358	0.995	0.384	985.5	1.119	4.120	100.	84.02	4.508	0.845	0.353	0.796	0.577	72.38	0.510
Spain	(Pta)	24.44	4.509	3.996	1.184	0.457	1173	1.332	4.903	119.0	100.	5.365	1.006	0.420	0.947	0.687	86.15	0.607
Sweden	(SKr)	45.55	8.404	7.448	2.207	0.852	2186	2.482	9.139	221.8	186.4	10	1.875	0.782	1.765	1.281	160.6	1.132
Switzerland	(SFr)	24.29	4.482	3.973	1.177	0.455	1166	1.324	4.875	118.3	99.42	5.334	1	0.417	0.942	0.683	85.64	0.604
UK	(£)	58.21	10.74	9.519	2.820	1.089	2794	3.172	11.68	283.5	238.2	12.78	2.396	1	2.256	1.637	205.2	1.447
Canada	(C$)	25.80	4.761	4.219	1.250	0.483	1238	1.406	5.177	125.7	105.6	5.665	1.062	0.443	1	0.726	90.96	0.641
US	($)	35.56	6.561	5.815	1.723	0.665	1707	1.938	7.135	173.2	145.5	7.807	1.464	0.611	1.378	1	125.4	0.884
Japan	(Y)	28.37	5.234	4.639	1.374	0.531	1362	1.546	5.692	138.2	116.1	6.228	1.168	0.487	1.099	0.798	100.	0.705
Ecu		40.23	7.422	6.578	1.949	0.753	1931	2.192	8.072	195.9	164.6	8.832	1.656	0.691	1.559	1.131	141.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5789	0.5825	+0.0035	0.5835	0.5779	7,436	81,568
Sep	0.5839	0.5850	+0.0021	0.5870	0.5839	250	3,452
Dec	0.5895	0.5910	+0.0040	0.5910	0.5895	4	328

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6810	0.6857	+0.0048	0.6885	0.6795	7,982	43,501
Sep	0.6890	0.6933	+0.0055	0.6942	0.6890	58	2,210
Dec	0.6964	0.6980	+0.0029	0.6985	0.6964	3	435

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100.

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7947	0.8023	+0.0072	0.8030	0.7929	6,539	67,146
Sep	0.8106	0.8125	+0.0067	0.8140	0.8106	71	1,843
Dec	0.8230	0.8235	+0.0065	0.8240	0.8230	9	703

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6220	1.6352	+0.0126	1.6400	1.6152	7,164	38,128
Sep	1.6250	1.6330	+0.0132	1.6390	1.6250	37	975
Dec	-	1.6310	+0.0136	1.6360	-	1	101

UK INTEREST RATES

LONDON MONEY RATES

May 6	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 3/8 - 5 5/8	6 7/16 - 5 7/8	6 1/2 - 6 1/4	6 11/16 - 6 7/16	6 7/8 - 6 5/8	7 1/16 - 6 7/8
Sterling CDs	-	-	6 3/8 - 6 1/4	6 1/2 - 6 13/32	6 13/16 - 6 17/32	6 7/8 - 6 13/16
Treasury Bills	-	-	6 5/16 - 6 3/16	6 3/8 - 6 1/4	-	-
Bank Bills	-	-	6 1/4 - 6 3/16	6 3/8 - 6 5/16	6 9/16 - 6 7/16	-
Local authority deps.	6 1/8 - 6	6 1/8 - 6	6 1/4 - 6 7/32	6 7/16 - 6 3/8	6 21/32 - 6 19/32	6 31/32 - 6 29/32
Discount Market deps	6 5/16 - 5 3/16	6 1/4 - 6 3/16	-	-	-	-

UK clearing bank base lending rate 6 1/4 per cent from May 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc. Ave. tender rate of discount on May 2, 6.1834pc. ECGD fixed rate Stlg. Export Finance. Make up day Apr 30, 1997. Agreed rate for period May 28, 1997 to Jun 24, 1997, Scheme III 7.71pc. Reference rate for period Mar 28, 1997 to Apr 30, 1997, Schemes IV & V 6.450pc. Finance House Base Rate 6 1/2pc from May 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.34	93.41	+0.06	93.42	93.30	53734	117942
Sep	93.13	93.19	+0.06	93.21	93.07	62717	91749
Dec	92.98	93.06	+0.10	93.10	92.90	57024	83040
Mar	92.82	92.97	+0.12	93.01	92.80	23399	53767
Jun	92.74	92.90	+0.14	92.93	92.72	17347	42460

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.19	0.13	0.16	0.03	0.19	0.35
9350	0.03	0.04	0.07	0.12	0.35	0.51
9375	0	0.01	0.03	0.34	0.57	0.72

Est. vol. total, Calls 10401 Puts 6528. Previous day's open int., Calls 173594 Puts 168936

EMS EUROPEAN CURRENCY UNIT RATES

May 6	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.759227	-0.000576	-4.94	7.79	33
Portugal	197.398	197.145	+0.508	-0.13	2.59	1
Finland	5.85424	5.90890	+0.00094	0.93	1.51	-6
Spain	163.826	165.517	+0.36	1.03	1.41	-7
Netherlands	2.16979	2.20588	+0.00303	1.66	0.78	-12
Denmark	7.34555	7.47157	+0.01127	1.72	0.73	-12
Italy	1906.48	1939.80	+1.56	1.75	0.70	-13
Germany	1.92573	1.96091	+0.00236	1.83	0.62	-18
Austria	13.5485	13.8016	+0.0164	1.87	0.58	-14
Belgium	39.7191	40.4668	+0.0521	1.88	0.57	-14
France	6.45863	6.61740	+0.00851	2.46	0.00	-21
NON ERM MEMBERS						
Greece	295.269	311.355	+0.139	5.45	-2.84	-
UK	0.793103	0.693250	-0.006062	-12.59	17.22	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.620	0.97	1.59	2.07	0.78	1.48	2.04
1.630	0.54	1.14	1.62	1.35	2.04	2.55
1.640	0.26	0.79	1.25	2.08	2.64	3.16

Previous day's vol., Calls 517 Puts 1,520 . Prev. day's open int., Calls 34,491 Puts 34,604

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
0.580	0.24	0.57	0.83	0.43	0.68	0.86
0.585	0.10	0.38	0.61	0.80	0.98	1.12
0.590	0.04	0.23	0.44	1.22	1.35	1.46

Previous day's vol., Calls 152 Puts 148 . Prev. day's open int., Calls 26,377 Puts 40,852

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.08	94.07	-0.01	94.08	94.07	45,848	474,550
Sep	93.89	93.86	-0.03	93.89	93.86	47,902	426,677
Dec	93.68	93.65	-0.03	93.69	93.64	42,529	313,203

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.69	94.69	-	94.69	94.69	232	6,303
Sep	94.48	94.46	-0.01	94.48	94.46	39	3,646
Dec	-	94.50	-	-	-	-	-

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9675	0.05	0.06	0.05	0.06	0.01	0.02	0.06	0.07
9700	0	0.01	0.01	0.01	0.21	0.22	0.27	0.27
9725	0	0	0	0	0.46	0.46	0.51	0.51

Est. vol. total, Calls 995 Puts 6034. Previous day's open int., Calls 482707 Puts 271808 .

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr.1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9825	0.05	0.11	0.14	0.14	0.21	0.35
9850	0.01	0.04	0.06	0.35	0.39	0.52

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1475 Puts 1840

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
●Henry Ansbacher	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.25
Bank of Baroda	6.25	●Robert Fleming & Co	6.25	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.00	TSB	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.25
Bank of Ireland	6.00	●Hambros Bank	6.25	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.25
Bank of Scotland	6.25	●Hill Samuel	6.0	Whiteaway Laidlaw	6.25
Barclays Bank	6.25	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.25		
Citibank NA	6.25	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.25		
The Co-operative Bank	6.25	Lloyds Bank	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Cyprus Popular Bank	6.00	NatWestminster	6.25		
		●Rea Brothers	6.00		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Paris says its plan to take control will not affect the nickel mining company's strategy

French state group moves to reassure Eramet shareholders

By David Buchan in Paris

The French state has moved swiftly to reassure shareholders of mining group Eramet that its plan to assert management control in the row over New Caledonian nickel would not affect company strategy.

Mr Rémy Chardon, the new head of Erap, the state company that holds 55 per cent of Eramet, confirmed that it would vote itself a majority on the board at the annual shareholders meeting on May 29.

Mr Chardon said Erap only had four members on the 15-member board at the moment. However, he said the move was would not be a wholesale "putsch".

He refused to comment on the likelihood of Erap replacing Mr Yves Rambaud as chairman and chief executive of Eramet. Mr Rambaud has always contested the French government's move to strip his company of the nickel concession in the French colony – a move demanded by local nationalists in New Caledonia.

The government is backing a plan by SMSP, a company controlled by Kanak nationalists, to build a smelter with Canadian mining group Falconbridge using nickel from an Eramet concession.

The announcement comes amid negotiations between Erap, the rest of Eramet's management, and Falconbridge.

Mr Chardon said yesterday that the talks centred on three elements: financial compensation for Eramet; a timetable for Falconbridge and SMSP to complete their smelter; and a legally binding means of ensuring that the nickel swap would be reversed if the project failed to materialise.

Since Eramet's partial privatisation in 1994, much of the 45 per cent not held by Erap has ended up with US and UK-based institutional investors, such as Fidelity, Templeton, Mercury Asset Management and Scottish Widows.

Partly in recognition of this, three foreigners – a US lawyer, a German industrialist and a Swede – sit on the board. Mr Chardon said they were welcome to stay. "I believe it is good to have a certain number of [non-French] board members to represent informally and implicitly the interests of the minority shareholders," he said.

But last night, Mr Stig Ramel, former president of the Nobel Foundation in Sweden, threatened to resign, complaining at the French state's interference.

Ruling himself out as a possible replacement for Mr Rambaud, Mr Chardon, a French government administrator close to President Jacques Chirac, said: "Whatever the solution [on the future management], Eramet has to have a major industrialist at its head."

Mr Rambaud is highly regarded as a mining professional, as demonstrated yesterday by the latest public polemic between Eramet and its state owner. La Tribune, the French business daily, published a letter from Mr Rambaud's management team to Mr Chardon, expressing their solidarity with the Eramet president.

They criticised Mr Chardon for attacking Mr Rambaud before the start of negotiations with Falconbridge and its SMSP mining partner in New Caledonia.

Yves Rambaud, chairman, wants Eramet to keep its nickel concession

India set to produce less sugar this year

By Kunal Bose in Calcutta

India, the world's biggest producer of sugar, will end the current season with output of 13m tonnes, down 2m tonnes from initial estimates of 15m tonnes, according to industry officials.

In last year's growing season (October to September) India produced a record 16.45m tonnes, causing a big problem of disposal.

"The crisis caused by overproduction of sugar in 1995-96 is still not out of the way of the factories," said Mr Om Prakash Dhanuka, of the Indian Sugar Mills Association. "The current season's huge opening stock of nearly 8m tonnes kept the sugar prices at highly uneconomic levels until March. It is, therefore, not surprising that the industry still owes the cane growers about Rs9bn [$251.4m]."

Food ministry officials said the industry's inability to pay growers in time forced many not to commit all their land to cane in the current season. There have been moves to wheat, rice, cotton and mentha. Industry estimates put the land under cane at 3.9m hectares, down from 4.1m ha in 1995-96, and say there will be a further fall to 3.7m ha next season, with sugar production falling sharply to 11m tonnes.

Officials discount a strong improvement in prices in coming months, as export prospects are not encouraging. World prices are around $310 a tonne while production costs in India are nearly $350 a tonne.

The only market where India can export sugar without loss is Pakistan, which it can reach by rail. According to ISMA, the country's exports in the current season will be 400,000 tonnes, against more than 1m tonnes last year.

The federal government can give relief to the industry by creating a buffer stock of 1.5m tonnes, which is to be financed by the Sugar Development Fund.

By the end of the 1996-97 season, India will have sugar stocks of 6.9m tonnes, after meeting domestic requirements of 13.6m tonnes, which are growing at more than 3.5 per cent a year. Even though production will fall sharply next year, there will therefore be no shortage.

OMLX prepares pulp contract

By Gary Mead

More than 15 wood pulp producers and consumers have lined up to start dealing in the electronically-traded pulp future contract to be launched later this month in London.

The new contract will be a direct challenge to the existing wood pulp futures market started by Finland's Futures and Options Exchange in February. It will start trading on May 29.

OMLX, the London-based securities and derivatives exchange operated by OM group of Sweden, said the contract would be called Pulpex.

Unlike the Finnish contract, it will have a physical delivery system. Stocks of wood pulp will be stored in five warehouses in three ports: Antwerp, Rotterdam and Terneuzen.

Each contract, of northern bleached softwood kraft (NBSK), will be for 24 tonnes. The daily settlement price of the contract will be determined by taking the last traded contract of the day.

Initially there will be two dated contracts, for September and December, with options trading on both starting three business days after May 29. Later-dated contracts will be rolled out through the rest of 1997 until, by the end of the first year of business, there will be one dated contract for each quarter.

"There will be 15 to 20 wood pulp companies trading Pulpex from day one, and we expect others to follow once they have assessed the volumes being traded," said Mr Xavier Bruckert, OMLX director of marketing.

Some analysts are sceptical about OMLX's plans. The Finnish version has failed to live up to its initial forecasts; in its first three months only some 100 contracts have been traded, against a prediction of 20,000 for its first year.

Another group is planning to launch an electronically-traded wood pulp future in Liverpool, but it is understood this will not start until early 1998.

Mr Bruckert would not forecast how many daily contracts OMLX anticipates. But he claimed it would have greater success than the Finnish version, because the possibility of physical delivery introduces a bigger degree of price transparency. He also said the fact that the contract will be based in London should be a big selling point.

Mr Dennis Christie, paper and packaging analyst with Dresdner Kleinwort Benson, said the failure of the Finnish pulp future market is that the price "doesn't include various discounts and rebates, only specified list prices". Discounts have recently ranged from 2 to 15 per cent. "That makes it very difficult for anyone to know precisely what the true price really is," said Mr Christie. It's very tricky unless you actually have active trading every day."

Mr Bruckert is confident that will happen in London. He pointed to the fact that eight brokers, including Enskilda GNI, Merrill Lynch and Sucden, have said they will provide access to Pulpex's market. "The pioneers in this new derivative instrument will come from the pulp and paper-producing industries. The speculators will come too, but they need to see first that the producers are there," he said.

One factor behind OMLX's confidence is pulp's recent price volatility. From $400 a tonne in 1994 it soared to $950 in 1995. Six months later it had fallen to $500, where it languishes now.

Gold shrugs off fraud at Busang

MARKETS REPORT

By Gary Mead

Confirmation that the Busang gold "deposit" in Indonesia was illusory scarcely influenced the price of gold when dealing resumed after a three-day weekend.

In afternoon trading in London the price of gold was "fixed" at $342.45 a troy ounce – marginally down from $342.80 earlier. Analysts said that while Busang had entertained speculators, specialists had always taken a wait-and-see attitude.

Base metals also had a lacklustre day, with low volumes dominating trading on the London Metal Exchange. Copper rose initially, bolstered by news that production at Chile's Quebrada Blanca mine had dropped 50 per cent due to strike action, but closed unchanged at $2,360 a tonne; other metals scarcely moved.

On London's International Petroleum Exchange the June contract for Brent crude oil showed little impetus, achieving a peak of $18.19 a barrel during the day but retreating to $18.13, up 16 cents, in late trading.

The International Energy Agency expects oil production from non-members of the Organisation of Petroleum Exporting Countries to rise by 0.7m barrels a day in the third quarter of 1997. OPEC representatives are meeting today; independent estimates suggest OPEC nations are producing some 27m barrels a day, against their ceiling of 25.03m.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-2,625	to 792,625
Aluminium alloy	-240	to 65,240
Copper	+1,000	to 148,925
Lead	–	to 113,850
Nickel	+18	to 50,316
Zinc	-225	to 432,150
Tin	-35	to 11,230

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1598-9	1629-30
Previous	1597-98	1626-27
High/low		1637/1628
AM Official	1600-0.5	1631.5-2.0
Kerb close		1632-3
Open int.	274,021	
Total daily turnover	70,432	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1470-75	1495-500
Previous	1475-85	1500-10
High/low		1500
AM Official	1475-80	1495-500
Kerb close		1500-05
Open int.	5,496	
Total daily turnover	1,171	

■ LEAD ($ per tonne)

Close	615.5-6.5	626-7
Previous	614.5-5.5	625-6
High/low		627/625
AM Official	615.5-6.0	626-6.5
Kerb close		626-7
Open int.	36,185	
Total daily turnover	5,476	

■ NICKEL ($ per tonne)

Close	7330-40	7445-50
Previous	7295-305	7410-15
High/low		7480/7410
AM Official	7316-7	7426-7
Kerb close		7470-80
Open int.	48,377	
Total daily turnover	23,898	

■ TIN ($ per tonne)

Close	5765-75	5795-800
Previous	5720-25	5755-60
High/low		5810/5750
AM Official	5740-50	5760-70
Kerb close		5790-800
Open int.	16,761	
Total daily turnover	5,507	

■ ZINC, special high grade ($ per tonne)

Close	1255.5-6.5	1277-7.5
Previous	1245-46	1265.5-66.5
High/low		1290/1265
AM Official	1261.5-2.5	1283.5-4.0
Kerb close		1276-7
Open int.	85,954	
Total daily turnover	17,557	

■ COPPER, grade A ($ per tonne)

Close	2429.5-31.5	2363-4
Previous	2440-43	2367-68
High/low		2380/2359
AM Official	2445-6	2374-5
Kerb close		2359-60
Open int.	135,188	
Total daily turnover	31,394	

■ LME AM Official £/$ rate: 1.6353
LME Closing £/$ rate: 1.6365

Spot: 1.6373 3 mths: 1.6344 6 mths: 1.6312 9 mths: 1.6266

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	109.75	-2.05	112.20	109.70	498	4,638
Jun	109.55	-1.65	111.50	109.55	71	2,697
Jul	109.05	-1.40	111.10	109.00	1,394	23,860
Aug	107.15	-1.40	108.75	108.00	16	1,388
Sep	105.75	-1.20	107.40	106.00	224	5,305
Oct	104.05	-1.35	105.40	104.80	33	985
Total					2,285	51,396

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	342.50-343.00		
Opening	343.20-343.50		
Morning fix	342.80	211.50	503.573
Afternoon fix	342.45	209.13	501.518
Day's High	343.80-344.20		
Day's Low	342.30-342.70		
Previous close	339.65-340.15		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.74 6 months 4.72
2 months ....4.72 12 months 4.66
3 months 4.72

Silver Fix	p/troy oz.	US cts equiv.
Spot	290.90	475.2
3 months	295.05	481.2
6 months	299.35	487.5
1 year	308.10	500.5

Gold Coins	$ price	£ equiv.
Krugerrand	341-343	208-210
Maple Leaf	-	-
New Sovereign	80-83	49-51

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	340.2	-2.8	-	342.4	-	-
Jun	341.5	-2.8	345.5	340.5	24,968	75,179
Aug	344.2	-2.7	352.9	343.5	209	18,362
Oct	346.9	-2.6	349.9	348.0	175	6,312
Dec	349.7	-2.6	353.7	349.0	106	21,906
Feb	352.5	-2.6	363.6	363.6	373	4,707
Total					26,906	168,239

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jul	373.0	-0.1	374.8	371.5	1,335	13,045
Oct	374.4	-0.2	375.5	374.5	6	2,833
Jan	376.6	-0.2	-	-	-	1,180
Apr	379.1	-0.2	-	-	-	14
Total					1,340	17,072

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Jun	156.20	-1.70	158.00	155.10	289	6,390
Sep	155.70	-1.95	158.50	154.00	23	2,700
Dec	155.70	-2.45	-	-	-	326
Total					312	9,416

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

May	469.1	-3.5	472.0	469.0	510	631
Jul	473.3	-3.5	479.0	472.0	5,735	56,946
Sep	478.2	-3.5	482.5	477.5	150	5,339
Dec	485.4	-3.5	491.0	485.0	42	7,320
Jan	487.7	-3.5	492.0	492.0	3	18
Mar	493.1	-3.5	498.0	493.0	39	7,332
Total					6,478	84,555

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	19.73	+0.10	19.84	19.48	31,838	91,988
Jul	19.80	+0.09	19.89	19.59	9,592	53,394
Aug	19.76	+0.04	19.87	19.62	4,303	30,180
Sep	19.79	+0.07	19.88	19.62	1,684	17,067
Oct	19.79	+0.07	19.85	19.65	613	15,832
Nov	19.82	+0.10	19.82	19.78	164	13,967
Total					51,124	392,689

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	18.14	+0.17	18.19	17.87	11,849	46,155
Jul	18.29	+0.15	18.31	18.01	10,796	68,471
Aug	18.42	+0.12	18.43	18.18	2,487	17,653
Sep	18.54	+0.12	18.55	18.31	386	9,800
Oct	18.61	+0.12	18.61	18.40	144	6,469
Nov	18.64	+0.10	18.64	18.48	283	5,671
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	53.85	+0.80	54.10	52.80	9,211	37,504
Jul	53.65	+0.46	54.05	53.05	1,973	26,789
Aug	54.40	+0.66	54.50	53.70	808	14,152
Sep	55.20	+0.71	55.20	54.40	184	8,344
Oct	55.80	+0.56	55.80	55.20	439	8,379
Nov	56.40	+0.41	56.45	56.00	604	7,239
Total					15,526	137,234

■ GAS OIL IPE ($/tonne)

	Latest price	Day's change	High	Low	Vol	Open int
May	166.50	+1.00	167.75	164.00	8,239	17,967
Jun	166.25	+1.00	166.75	164.50	5,797	21,031
Jul	167.50	+1.50	167.75	165.75	1,207	7,951
Aug	169.75	+1.75	169.75	167.75	1,236	7,446
Sep	171.50	+1.75	170.25	169.50	316	3,234
Oct	173.50	+1.75	172.00	171.75	49	3,590
Total					17,580	74,639

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	2.255	+0.035	2.270	2.205	13,829	40,621
Jul	2.300	+0.043	2.300	2.245	8,929	26,424
Aug	2.280	+0.031	2.290	2.235	3,344	17,050
Sep	2.270	+0.028	2.270	2.230	1,879	14,606
Oct	2.290	+0.028	2.300	2.255	1,128	16,529
Nov	2.390	+0.028	2.400	2.370	394	7,703
Total					35,331	204,704

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	60.55	+0.01	60.80	60.05	10,327	50,110
Jul	59.90	+0.18	60.10	59.30	1,545	17,464
Aug	60.00	+1.23	60.00	58.50	501	7,337
Sep	57.85	+0.23	57.85	57.60	77	3,371
Oct	56.05	+0.20	56.05	56.05	57	2,384
Nov	55.70	+0.55	55.65	54.95	45	1,399
Total					13,283	88,414

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	91.50	-1.20	91.50	91.00	21	462
Jul	93.75	-1.25	94.25	92.75	165	2,042
Sep	93.25	-1.50	93.25	92.75	65	51
Nov	95.25	-1.50	95.45	94.50	261	3,443
Jan	97.25	-1.50	97.50	96.50	204	1,158
Mar	99.25	-1.50	99.25	98.50	65	645
Total					851	8,080

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

May	394.00	-11.25	402.00	394.00	1,219	656
Jul	402.50	-8.75	410.00	402.00	17,471	60,355
Sep	408.00	-9.25	415.50	408.00	1,548	13,450
Dec	419.25	-8	426.00	419.00	1,820	15,271
Mar	420.50	-9	423.00	420.00	47	1,021
May	399.00	-7	-	-	10	15
Total					22,126	91,086

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

May	288.50	-4.5	293.00	288.25	7,962	18,512
Jul	285.50	-5.75	291.00	285.25	38,367	138,652
Sep	269.25	-5.5	274.25	269.00	7,300	26,566
Dec	267.75	-4.75	272.50	267.50	16,493	109,290
Mar	272.50	-4.75	277.00	272.00	359	10,307
May	277.00	-4.5	279.25	277.00	20	815
Total					78,684	309,829

■ BARLEY LIFFE (£ per tonne)

May	89.50	-0.50	88.00	88.00	4	60
Sep	89.75	-1.00	-	-	-	28
Nov	91.75	-1.00	91.00	91.00	6	879
Jan	93.75	-1.00	-	-	23	112
Mar	95.75	-1.00	-	-	-	-
May	97.75	-1.00	-	-	-	-
Total					10	1,079

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

May	894.00	+1	895.75	885.50	5,430	6,297
Jul	892.00	+2.5	893.50	882.00	49,397	106,034
Aug	861.75	+2.75	862.50	852.00	3,537	19,112
Sep	759.25	-4.75	765.00	752.50	852	8,004
Nov	701.25	-2.25	703.50	696.00	8,558	47,437
Jan	708.50	-2	707.00	703.00	94	3,225
Total					67,891	191,629

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

May	24.85	-0.11	25.03	24.64	1,870	1,415
Jul	25.09	-0.07	25.26	24.86	10,008	51,440
Aug	25.18	-0.07	25.37	25.01	2,475	13,143
Sep	25.22	-0.06	25.36	25.05	1,085	7,447
Oct	25.31	+0.07	25.33	25.10	560	7,325
Dec	25.49	+0.1	25.50	25.25	1,727	19,601
Total					17,738	101,398

■ SOYABEAN MEAL CBT (100 tons; $/ton)

May	299.5	+2.3	299.5	294.7	5,996	12,122
Jul	292.5	+2.7	293.0	287.1	15,463	51,079
Aug	277.5	+1.8	278.0	274.3	2,353	14,950
Sep	257.1	+0.1	259.0	256.2	834	8,653
Oct	230.8	-1.7	232.0	229.5	677	9,618
Dec	222.2	+0.1	222.5	220.0	1,387	17,768
Total					26,723	117,128

■ POTATOES LIFFE (£/tonne)

May	16.0	-9.0	20.0	15.0	96	123
Jun	30.0	-10.0	-	-	-	-
Nov	59.0	-7.0	-	70.0	-	12
Mar	105.0	-10.0	-	-	-	-
Apr	118.0	-6.0	119.0	113.5	112	1,065
Total					298	1,200

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

May	1335	-20	1340	1305	106	640
Jun	1300	-20	1320	1280	110	185
Jul	1215	-10	1215	1200	35	1,025
Oct	1337	-8	-	-	10	474
Jan	1345	-10	-	-	-	57
Apr	1390	-10	-	1400	-	-
Total					251	2,381

	Close	Prev
BFI	1264	1260

FUTURES DATA
All futures data supplied by CMS.

Minor metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony:** 99.65%, $ per tonne, 2,175-2,275 (2,250-2,325). **Bismuth:** min. 99.99%, tonne lots 3.10-3.35 (3.05-3.15). **Cadmium:** min. 99.95%, cents a pound, 48.00-53.00. **Cobalt:** MB free market, min. 99.8%, 24.50-25.50; min. 99.3%, 21.50-22.50. **Mercury:** min. 99.99%, $ per 76 lb flask, 158-168. **Molybdenum:** drummed molybdic oxide, 4.40-4.65 (4.50-4.75). **Selenium:** min 99.5%, 2.35-3.00. **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. **Vanadium:** min. 98%, cif, 3.73-3.83 (3.75-3.85). **Uranium:** Nuexco unrestricted exchange value, 11.50 (12.00).

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	964	-5	980	969	29	214
Jul	989	-6	1000	986	849	31,025
Sep	1005	-6	1015	1003	393	13,479
Dec	999	-3	1016	996	1,115	29,293
Mar	1013	-2	1030	1010	2,571	30,687
May	1025	-2	1039	1023	553	14,563
Total					6,482	138,299

■ COCOA CSCE (10 tonnes; $/tonnes)

May	1399	+25	-	-	2	205
Jul	1409	+24	1418	1385	3,135	32,158
Sep	1436	+27	1440	1420	235	13,517
Dec	1465	+24	1471	1459	85	18,376
Mar	1493	+24	1494	1485	215	20,052
May	1513	+24	-	-	3	8,553
Total					3,680	94,935

■ COCOA (ICCO) (SDR's/tonne)

May 5	Price	Prev. day
Daily	na	1114.03

■ COFFEE LIFFE ($/tonne)

May	1635	+35	1637	1610	253	1,464
Jul	1700	+30	1709	1685	4,716	22,444
Sep	1715	+29	1717	1700	1,651	11,632
Nov	1715	+30	1716	1700	858	3,862
Jan	1685	+30	1683	1680	90	1,847
Mar	1665	+30	1655	1655	10	153
Total					7,578	41,404

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

May	249.60	-1.30	254.00	249.00	238	1,143
Jul	212.85	-5.65	221.50	212.25	5,695	15,943
Sep	190.15	-4.70	197.00	189.50	1,969	7,383
Dec	169.65	-3.00	175.50	168.00	710	4,540
Mar	157.00	-1.40	161.00	156.00	212	1,837
May	151.50	-0.50	155.50	150.00	31	282
Total					8,855	31,286

■ COFFEE (ICO) (US cents/pound)

May 5		Prev. day
Comp. daily	162.09	161.25
15 day average	150.78	149.15

■ WHITE SUGAR LIFFE ($/tonne)

Aug	313.3	-0.6	313.9	312.0	863	12,551
Oct	305.0	-0.1	304.9	303.4	345	6,451
Dec	302.6	-0.3	302.9	302.9	50	1,640
Mar	302.0	-1.0	302.8	302.8	100	1,539
May	302.4	-1.0	302.9	302.8	150	813
Aug	303.9	-	303.8	303.8	50	134
Total					1,558	22,971

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Jul	10.88	+0.09	10.88	10.75	18,190	74,068
Oct	10.72	+0.06	10.73	10.63	1,217	39,316
Mar	10.67	+0.03	10.68	10.61	412	23,218
May	10.62	+0.01	10.62	10.58	203	5,396
Jul	10.59	+0.05	10.55	10.54	139	2,560
Oct	10.52	-0.01	-	-	25	561
Total					5,926	145,389

■ COTTON NYCE (50,000lbs; cents/lbs)

May	70.20	-0.08	70.85	69.70	40	76
Jul	72.02	+0.12	72.10	71.00	5,988	41,267
Oct	73.48	-0.27	73.80	72.80	684	2,829
Dec	74.63	-0.19	74.85	73.85	3,072	23,543
Mar	75.90	-0.17	76.00	75.25	688	3,518
May	76.53	-0.17	76.25	76.25	53	751
Total					10,789	73,345

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

May	73.40	+0.05	73.75	73.00	245	678
Jul	74.85	-0.05	75.30	74.55	1,159	17,396
Sep	77.80	-	78.00	77.55	229	6,291
Nov	80.45	-0.10	80.55	80.30	118	2,973
Jan	83.10	-0.05	83.35	83.00	29	1,307
Mar	85.55	-	-	-	64	866
Total					1,844	28,750

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

May 6	May 2	month ago	year ago
1988.7	1989.5	1945.9	2118.4

■ CRB Futures (Base: 1967 = 100)

May 5	May 2	month ago	year ago
246.34	248.29		

■ GSCI Spot (Base: 1970 = 100)

May 5	May 2	month ago	year ago
194.00	194.76	197.10	209.50

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	65.175	-0.250	65.500	65.075	4,704	37,320
Aug	65.250	-0.150	65.550	65.050	2,645	27,081
Oct	68.800	-0.050	68.950	68.525	1,305	16,359
Dec	70.575	-0.075	70.700	70.600	668	8,568
Feb	71.025	-0.050	71.200	70.800	294	5,094
Apr	72.975	-	73.000	72.750	67	1,262
Total					9,683	95,684

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Jun	84.525	+1.025	84.675	83.450	4,763	17,938
Jul	85.150	+0.850	85.250	84.025	2,637	6,855
Aug	83.150	+0.800	83.200	82.050	1,599	6,142
Oct	75.525	+0.300	75.850	74.950	488	5,120
Dec	72.550	+0.250	72.600	71.800	426	3,114
Feb	71.150	+0.200	71.300	70.700	96	1,117
Total					10,012	41,197

■ PORK BELLIES CME (40,000lbs; cents/lbs)

May	87.800	+1.3	87.850	86.200	847	842
Jul	89.950	+2.25	90.200	87.850	1,863	6,574
Aug	88.750	+2.3	89.300	86.700	331	1,522
Feb	74.900	+1.2	76.100	75.000	20	315
Mar	72.100	-	74.100	-	2	10
Total					3,063	9,268

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1600	40	82	20	38
1625	27	68	32	48
1650	17	55	47	60
■ COPPER (Grade A) LME	May	Aug	May	Aug
2430	48	50	43	140
2450	27	35	72	175
2500	14	25	108	212
■ COFFEE LIFFE	Jul	Sep	Jul	Sep
1550	182	239	32	74
1600	148	208	48	93
1650	118	180	68	115
■ COCOA LIFFE	Jul	Sep	Jul	Sep
1000	38	63	47	58
1025	26	52	62	72
1050	19	42	80	87
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1850	15	46	-	-
1900	-	-	-	-
1950	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.58-7.65	+0.515
Brent Blend (dated)	$17.76-7.78	
Brent Blend (Jun)	$18.03-8.05	+0.07
W.T.I.	$19.67-9.69z	+0.10

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$203-205	
Gas Oil ‡	$170-173	+1
Heavy Fuel Oil	$77-79	
Naphtha	$173-175	
Jet fuel	$186-188	+1
Diesel	$178-180	+1

■ NATURAL GAS (Pence/therm)

Bacton (May)	10.5-10.6	

Petroleum Argus. Tel. London (0171) 359 8792

IPE (Jun)	10.525	-0.10

■ OTHER

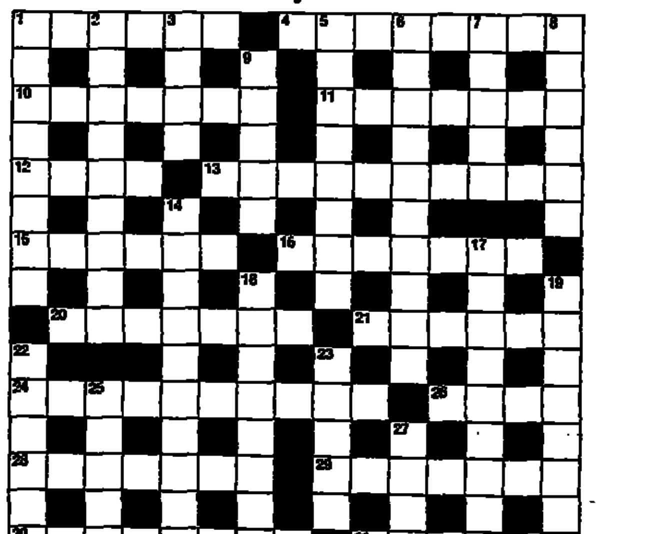
Gold (per troy oz)♣	$342.75	+2.85
Silver (per troy oz)♣	474.00c	+2.00
Platinum (per troy oz.)	$374.00	+0.75
Palladium (per troy oz.)	$157.75	
Copper	119.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.05r	
Tin (New York)	271.5	+6.0
Cattle (live weight)	90.41p	-0.85*
Sheep (live weight)	138.84p	+2.56*
Pigs (live weight)†	110.12p	-0.13*
Lon. day sugar (raw)	$269.30	+2.0
Lon. day sugar (wte)	$317.40	+3.4
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	69.50p	+0.75
Rubber (Jul)♥	69.50p	+0.75
Rubber (KL RSS No1)	277.0x	
Coconut Oil (Phil)§	665.0y	-10.0
Palm Oil (Malay.)§	560.0z	-15.0
Copra (Phil)§	$442.5y	-2.5
Soyabeans (US)	232.0	
Cotton Outlook'A' index	78.75c	
Wooltops (64s Super)	430p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y May/Jun♥ z Jun London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 2,685 head of pigs [illegible]

JOTTER PAD

CROSSWORD

No.9,368 Set by DOGBERRY



ACROSS

1 Plan to get soldiers back into lair (6)
4 Insect swallowing hesitator's humbug? (8)
10 Set about to slay with frying pan (7)
11 Conjecture about retired officer lacking nerve (7)
12 Devastate unfinished highway (4)
13 Price alcohol by volume, introducing artist to a holiday destination (5,5)
15 Many a material used by artist (6)
16 Go on about the Spanish cleric (7)
20 Elizabeth interrupts Victoria and Albert from the porch (7)
21 Mad king with atlas of the heavens (6)
24 Shy hero Bob develops an obsession (5-5)
26 Group leader King Cole can be a nuisance (4)
28 "O" The distress cry goes round and brings relief (7).
29 Love Murray to play for Arsenal (7)
30 Ruling party acquiring bird books (8)
31 Sophisticated prototype of poison (6)

DOWN

1 Indian centre's precise area (8)
2 Pretend to swallow toad's head and cause a sensation (9)
3 Stop up and swallow hard (4)
5 Enticement to conceal awkward gait with bandage (8)
6 Organic process is decaying – so embalm it (10)
7 Measures a purge (5)
8 Not one to argue with urge to hold up a paper (3-3)
9 Sort of pigeon dropping? (5)
14 Oops! Shandy gets spilled by drink dispenser (4,6)
17 Terriers managed union with the French spider (9)
18 Keeps promising to follow commercial presentation (8)
19 Loud instrument covering a non-drinking driver's problem (4,4)
22 Went after virgin, so it's said (6)
23 Award for large vehicle (5)
25 Flower on top of bell tower (5)
27 The ruler in Semiramide (4)

Solution 9,367

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BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Abtrust Fund Mngrs Luxembourg SA (x)					
4 Boulevard Royal L 2449 Luxembourg 00 352 227001					
Abtrust Atlas Fund					
Global Cap Portfolio		$4.026		+0.035	-
United States Portfolio		$6.171xd		+0.382	-
Cont Europe Portfolio		DM7.318		+0.193	-
Japan Portfolio		¥0.597		+0.008	-
Pacific Portfolio		$6.365		-0.004	-
Gold Portfolio		$5.400		+0.073	-
UK Growth of Income		£2.784xd		—	3.81
Dollar Portfolio		$1.8584d		—	7.03
Sterling Portfolio		£1.040xd		+0.001	6.30
Asian Master Fund (x) (z)					
21 avenue de la Liberte, L-1931, Lux 00 352 2954 941					
Australasian NAV		A$18.02		+0.18	-
Austrian Nat NAV		Sch87.55		+0.27	-
Belgo/Lux NAV		BFr651.72		+1.27	-
Dutch Nat NAV		Dfl50.22		+0.53	-
French Nat NAV		FFr152.40		+0.82	-
German Nat NAV		DM22.02		+0.26	-
Hongkong Nat NAV		HK$136.38		+1.80	-
Italian Nat NAV		L13735		+10	-
Japanese Nat NAV		Y1277		+28	-
Spanish Nat NAV		Pta1648		+35	-
UK Nat NAV		£11.27		—	-
United States Dlr Res		$11.18		—	-
Prices quoted are "A" shares					
American Phoenix Investment Portfolios (x)					
13 rue Goethe, L-1637 Luxembourg 00 352 40464 0211					
European Multinational Pfolio		Ecu22.53		+0.08	-
European Multinational Pfolio		$25.42		+0.07	-
European Multinational Pfolio		£15.54		-0.1	-
European Multinational Pfolio		L43475		+124	-
European Multinational Pfolio		DM43.94		+0.14	-
Global Multinational Pfolio		Ecu20.51		+0.22	-
Global Multinational Pfolio		$23.14		+0.23	-
Global Multinational Pfolio		£14.14		—	-
Global Multinational Pfolio		L39587		+351	-
Global Multinational Pfolio		DM39.98		+0.4	-
US Growth Companies		$15.22		+0.32	-
US Growth Companies		$9.30		+0.11	-
US Growth Companies		L26017		+545	-
US Growth Companies		DM26.30		+0.56	-
US Real Estate Securities		$14.83		+0.15	-
US Real Estate Securities		$9.07		+0.01	-
US Real Estate Securities		L25360		+253	-
US Real Estate Securities		DM25.63		+0.26	-
BAII Asset Management Ltd					
18 Piccadilly, London W1V 0EE 0171 734 3700					
Intermarket NAV Apr 15 F		$842.01		-5.95	-
Interportfolio Fund					
Convertible (US$) Apr 16		$704.29		[illegible]	-

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Fleming Group - Contd.					
FFF Emerging Markets F		$10.50	11.11	+0.02	-
FFF Emerging Markets Debt F		$14.80	15.66	+0.02	-
FFF European		DM45.76	48.44	+0.40	-
FFF European Smlr Cos F		DM26.65	28.19	+0.30	-
FFF Global Conv F		$18.17	19.23	+0.17	-
FFF India H		$10.13	10.72	-0.08	-
FFF Intl Bond F		$13.42	14.19	+0.01	-
FFF Intl Equity F		DM84.87	89.78	+1.49	-
FFF Japanese		$15.24	16.12	+0.45	-
FFF Japanese Smlr Cos F		$5.84	6.28	+0.18	-
FFF Latin American		$13.85	14.65	—	-
FFF Pacific		$22.95	24.28	+0.52	-
FFF Sterling Bond		£1.085	1.148	+0.001	7.00
FFF UK Enterprise		£5.68	6.02	+0.04	-
FFF US Discovery		$42.29	44.43	+0.76	-
Fleming Flagship Series II (Daily Dealing)					
DM Class F		DM72.470		+0.061	2.87
FFr Class F		FFr84.423		+0.005	2.90
ITL Class F		L22288		+4.000	6.70
£ Class F		£6.250		+0.001	5.71
US$ Class F		$12.100		+0.001	5.34
Oasis Fund Sicav					
International Equity F 5 CE		$9.8279	10.8167	—	-
Foreign & Colonial Emerging Markets Ltd (x)					
Exchange Ho, Primrose St, Ldn, EC2A 2NY 0171-628 1234					
F&C Emerging Markets					
Argentinian Inv Co F		$24.97		+0.17	-
Brazilian Inv Co SICAV F		$63.17		-0.42	-
[illegible]		$11.02		+0.05	-
Latin Amer Inv Co SICAV F		$12.23		-0.03	-
Mexican Inv Co SICAV F		$24.27		+0.03	-
Foreign & Colonial Portfolios Fd Sicav(x)					
33 Boulevard Prince Henri, L-1724 Lux 00 352 2269 211					
Am Smlr Cos Eq F		$28.87		+0.65	-
Japanese Smlr Cos Eq F		Y900.00		+28.00	-
European Smlr Cos Eq F		Ecu17.63		+0.07	-
Emerging Asian Eq F		$21.38		+0.20	-
Sterling Beta F		£10.05		—	-
Sterling Distribution F		£9.33		+0.01	-
Frontrunner I (x)					
872 rue de Neudorf, Luxembourg 00 352 43887350					
European Equities		Ecu136.88		—	-
Global Bonds		DM170.54		—	-
Global Bonds		DM140.61		—	-
Sterling Fund		£188.56		—	-
Danish Bonds		DKr174.47		—	-
Swedish Bonds 3		SKr123.17		—	-
German Bonds		DM102.86		—	-
Dollar Bonds 3		$100.05		—	-
Scandinavian Equities		Ecu253.13		—	-

Midland Intl Circuit Fund SICAV(x)

Aetna International Umbrella Fund (x)

Credit Commercial de France

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation - Contd.

Equitable Life (International)

LUXEMBOURG (REGULATED)(**)

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	♣	488	+3	553	407½	4,448	6.9	12.9
Bulmer (HP)	♣†	538½	-3	626	477	394.3	3.1	16.0
Boro St Dist	♣	[illegible]	—	137	57½	35.8	7.1	14.9
Glenmorangie A	†	615	—	1040	615	124.4	1.7	24.9
B	†	1070	—	1140	[illegible]	42.4	0.7	58.2
Grand Met	♣	517	+3½	[illegible]	411½	[illegible]	3.8	16.7
Guinness	♣†	[illegible]	+8½	[illegible]	433	9,742	3.9	14.7
Highland	♣†	322½xd	+½	[illegible]	320	[illegible]	3.3	15.1
5¼pc Cnv Bds		[illegible]		101½	94¼	—	—	—
Kirin Y		577¼	+27½	[illegible]	[illegible]	[illegible]	1.0	—
Matthew Clark	♣♣	278½	—	[illegible]	[illegible]	[illegible]	10.8	13.2
Merrydown	♣†	98½	—	141	90½	[illegible]	6.4	12.2
Seagram C$		£24½	+⅛	£25⅝	£20⅞	6,874	1.2	—

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

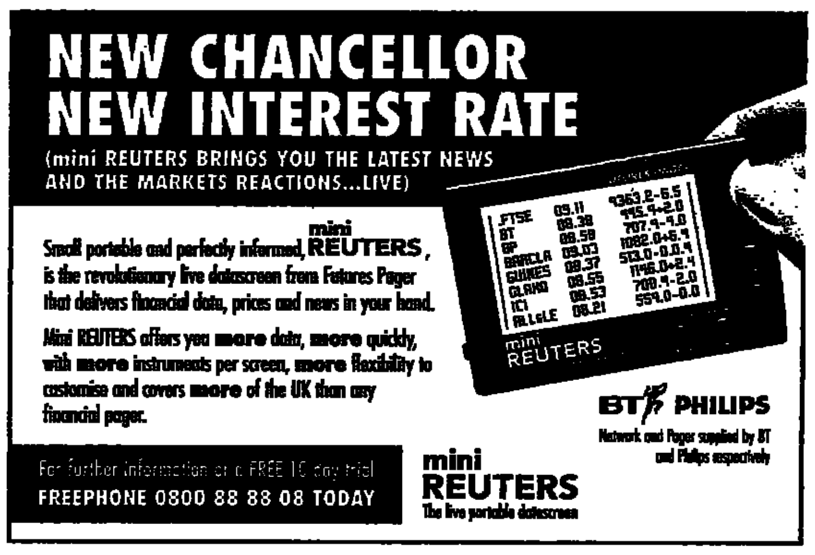
EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
BG	♣W	171xd	-2½	190½	134	7,585	10.6	18.1
Centrica		69	+½	77½	55	2,881	—	—
International Energy	♣	90xd	+½	100	84½	50.8	6.2	Φ



HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأجل

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◊ Figures or report awaited
- ✠ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. μ Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a

FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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The share prices printed on these pages are also available on the internet at http://www.FT.com.

Matsushita E Ind	11.3m	2270	+120
NEC Corp	10.1m	1640	+50
Toshiba Corp	8.3m	770	+17

LONDON STOCK EXCHANGE

Shares hit all-time highs after policy shift

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The decision by the new Labour government to effectively cede interest rate decision-making to the Bank of England triggered an explosion of big gains across equities and gilts yesterday.

The shift of policy on interest rates overshadowed the chancellor's decision to lift UK interest rates by 25 basis points after bringing forward his scheduled meeting with Mr Eddie George, governor of the Bank of England, which had been scheduled for today.

When the dust settled on a day of intense activity in stock markets, the FTSE 100 was left with a gain of 63.7 at a new record closing high of 4,519.3, after hitting an intra-day peak of 4,525.6.

The most startling advances in the stock market came in gilts where longer dated issues rose by an almost unprecedented 4¼ points, with 10-year stocks up by more than 2 points.

The gains in medium and smaller-sized stocks were nothing like as good as those in the leaders. The FTSE 250 finished a net 22.1 ahead at 4,520.2, but remained over 200 points shy of its all-time intra-day and closing levels.

Similarly, the SmallCap index nudged up 5.7 to 2,301.2, around 75 points off its previous record.

The only slight disappointment for the market was that the equity market's excellent performance was not matched by a substantial increase in the volume of retail business transacted.

Turnover at the 6pm cut-off point was 761.8m shares, well up on usual levels for the first trading session in the week, but still disappointing on a day when the FTSE 100 moved up 1.4 per cent to a new record close.

Adding substance to a splendid session for shares were the big gains scored by stocks on Wall Street where the Dow Jones Industrial Average climbed over 230 points on Friday and Monday, hitting new record closes in the process.

Wall Street came in strongly again yesterday, the Dow posting a 20-point advance shortly after the start of trading and adding to London's strength.

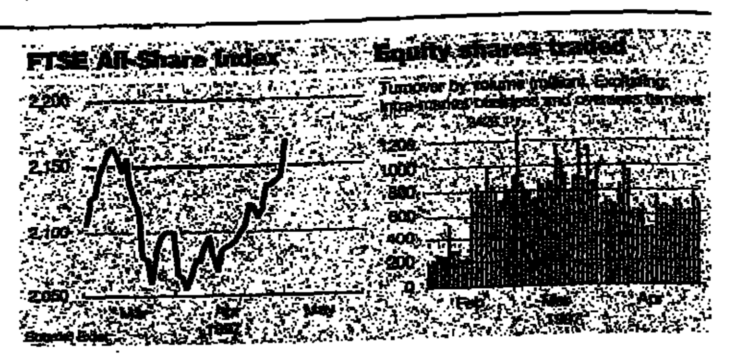
When the news of the interest rate rise and the shift of interest rate policy became known, equity marketmakers, stunned by the extent of the early advances in gilts, had no option but to hoist prices.

Even then, a flurry of sustained overseas buying propelled share prices even further, especially in the financial sectors, which traditionally react positively to strong bond markets.

Sterling also hit a new high on the Bank of England's index against a basket of leading currencies, before easing towards the close. There were worries across the stock market about the potential damage of a rampant pound to big overseas earners.

Of the handful of losers in the FTSE 100 the majority were overseas earners.

Marketmakers expected renewed overseas support for UK markets. One senior trader said 4,700 on the FTSE 100 was "eminently achievable in the short term".



Indices and ratios

FTSE 100	4519.3	+63.7
FTSE 250	4520.2	+22.1
FTSE 350	2203.3	+27.0
FTSE All-Share	2167.26	+25.01
FTSE All-Share yield	3.56	3.57
FT 30	2932.9	+25.5
FTSE Non-Fins p/e	18.58	18.35
FTSE 100 Fut Jun	4537.0	+79.0
10 yr Gilt yield	7.11	7.41
Long gilt/equity yld ratio	2.01	2.08

Best performing sectors
1 Diversified Inds ......+1.9
2 Insurance ......+1.4
3 Household Goods ......+0.9
4 Gas Distribution ......+0.7
5 Retailers: Food ......+0.7

Worst performing sectors
1 Electricity ...... −2.4
2 Water ......−2.2
3 Paper: Packaging ...... −1.1
4 Transport ......−1.0
5 Utilities ...... −0.9

Banks lifted by gilts

By Peter John, and Joel Kibazo

Banking stocks flew with the prevailing market wind as yesterday's interest rate hike combined with an almost shockingly impressive performance by government bonds.

Firstly, the 25-basis point rate rise will enable the banks to improve their margins. And the decision by the Halifax, which dominates the mortgage market, to lift its key rate by 35 basis points suggested the banks will follow suit shortly.

Secondly, long gilt yields tumbled 40 basis points, sending prices sharply higher.

Charts show that the yield relative on the banking sector sticks closely to the yield on UK long-dated bonds.

The bank/bond correlation reflects the view that high priced, low yielding gilts anticipate a benign inflationary environment that will counteract every banker's nightmare – bad debts.

Also, Credit Lyonnais Laing, the stockbroker, argues that if the sector merely tracks the broad market dividend growth will outperform strongly because of sound fundamentals.

Bank of Scotland lifted 16½ to 392¼p, Barclays 46½ to £11.91½ and National Westminster 23½ to 751p.

A clutch of broker's recommendations helped boost engineering and automotive group GKN. The shares improved 6 to 963¼p.

The list of positive brokers was said to include Lehman Brothers, thought to have set a current year share price target of 1050p.

Charterhouse Tilney is even more bullish with a price target of £11.70p. Urging investors to buy the stock, the broker said: "GKN's cash offer for Sinter Metals [announced last week] represents a significant investment in a production process that is growing at 10 per cent per annum.

GKN will be twice the size of its nearest competitor in this field and the only global supplier with a full range of R&D manufacturing capabilities.

"This reinforces our view that GKN is a premium stock with growth potential in all three divisions."

In the rest of the sector, British Aerospace bucked the strong market trend to close 11 off at 1285½p, on fears about the future of the Eurofighter project.

BAe remains one of the main contractors on the project. Sentiment in BAe was also weakened by the strength of sterling, the group being one of the UK's leading exporters.

Currency was also a factor in the decline of several other stocks. They included TI Group, which closed 2 lighter at 542½p and T&Nr, 1½ off at 134½p.

News of an order boosted Rolls Royce, 4 up at 249p.

The order came from Royal Netherlands Navy, which placed its second £11m order in a year for four Spey SM1C engines.

Rolls-Royce will begin delivery of the engines next year, plus another four that were previously ordered.

The engines will be used to power air defence frigates.

Zeneca moved forward 38¼ to £19.11½p as the company announced a two-year research collaboration with the University of California, Irvine.

The aim is to discover new immunosuppressive drugs, which would be used in preventing organ or tissue rejection following surgical transplants, and for treating auto-immune diseases such as rheumatoid arthritis, multiple sclerosis and diabetes.

Elsewhere among pharmaceuticals, Glaxo firmed 9 to £12.02½p.

Goldman Sachs reiterated its support following the company's research and development meeting on Friday.

BP rose 29 at 732½p after the group reported first-quarter results at the top end of analysts' expectations.

The results, showing replacement cost profit before exceptionals at £755m, compared with analysts' forecasts of between £650m and £720m. Analysts were edging up full-year forecasts to about £2.7bn.

BSkyB topped the equity premier league yesterday with the shares boosted 28¼ to 595½p by news of a joint venture with Matsushita Electric Industrial of Japan.

Matsushita will join BSkyB, BT and Midland Bank in setting up a venture to sell set-top box adapters for digital television broadcasting. The new company will market set-up boxes in Britain, where land-based digital broadcasting will begin in the second half of this year.

Reed International moved forward 15¾ to 590p in the new form in response to a $80m strategic-partnership agreement with Microsoft Corp of the US. The company also completed a one-for-one share split.

Pearson, the media group that owns the Financial Times, slipped to the bottom of its perceived trading range yesterday. The shares were unsettled by news that it would like to take a stake in The Australian Financial Review business daily. Pearson closed a net 8 off at 706p.

Wace, the imaging and printing specialist, tumbled 33½ to 41p following a profits warning. The company said it expected to report an operating loss for the first half and for the year as a whole.

Gold mining group Bakyrchik lost some of its glister in the wake of the controversy surrounding Bre-X, the Canadian group. The shares slid 6¼ to 128½p.

FI Group, the computer services company, lifted 16 to 547½p in response to £34m of orders.

Audio products manufacturer and distributor Verity Group finished the day 2¼ ahead at 53¼p.

The smaller companies research team at Merrill Lynch favours the stock and in a note to clients said: "We believe that presentations to the world's leading consumer electronics companies [on its revolutionary flat speaker technology-NXT] are going well and in the short term the shares wil be driven by news of licensees signing up."

Uncertainty about the levying of a windfall tax on all privatised utilities continued to cast a shadow over Railtrack. The shares gave up 12½p, making it one of the day's worst performing stocks.

Positive press comment on conglomerates and a recent recommendation cheered BTR.

The shares climbed 6 to 267p with the team at Credit Lyonnais suggesting: "The new strategy will create shareholder value and reverse the share price underperformance of the last three years."

Among transport stocks, British Airways was a feature, the shares gaining 8 to 695p in trade of 4.5m, after the group said that passenger traffic was up 6.9 per cent in April.

FT 30 INDEX

	May 6	May 2	May 1	Apr 30	Apr 29	Yr ago	*High	*Low
FT 30	2932.9	2907.4	2902.7	2898.4	2891.9	2796.4	2932.9	2668.8
Ord. div. yield	3.75	3.80	3.80	3.81	3.82	3.98	4.22	3.75
P/E ratio net	17.88	17.47	17.45	17.43	17.38	16.41	18.09	15.80
P/E ratio nil	17.50	17.29	17.27	17.25	17.21	16.18	17.87	15.71

FT 30 since compilation: high 2932.9 06/05/97: low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2923.2	2914.5	2909.2	2909.0	2935.9	2934.1	2933.3	2933.7	2932.6	2937.4	2908.4

	May 6	May 2	May 1	Apr 30	Apr 29	Yr ago
SEAQ bargains	53,681	41,855	48,477	60,533	58,026	33,944
Equity turnover (£m)†	–	NA	1949.3	2273.2	2452.6	1857.6
Equity bargains†	–	NA	40,694	50,750	51,419	38,692
Shares traded (ml)†	–	NA	603.2	719.4	785.8	618.0

†Excluding intra-market and overseas turnover but including Crest turnover.

	May 6	May 2	May 1	Apr 30	Apr 29	Yr ago	*High	*Low
FTSE AIM	1090.2	1081.5	1081.5	1080.4	1081.5	1075.0	1140.4	965.7

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	895	Total Highs	165	Total contracts	67,066
Total Falls	453	Total Lows	59	Calls	34,532
Same	1,052			Puts	32,534

May 6 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4502.0	4537.0	+79.0	4548.0	4472.0	18937	60360
Sep	4522.0	4569.0	+80.0	4583.0	4515.0	135	3398
Dec		4611.0	+82.0			0	320

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4535.0	4540.0	+40.0	4540.0	4535.0	100	4891

■ FTSE 100 INDEX OPTION (LIFFE) (*4520) £10 per full index point

	4300		4350		4400		4450		4500		4550		4600		4650	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
May	232½	[illegible]														
Jun	255	[illegible]														
Jul	284	[illegible]														
Aug	292½	[illegible]														
Dec†	381	[illegible]														

Calls 18,807 Puts 7,556

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4325		4375		4425		4475		4525		4575		4625		4675	
May	204½	[illegible]														
Jun	229½	[illegible]														
Jul	259	[illegible]														
Sep	300½	[illegible]														
Dec†	398	[illegible]														

Calls 9,230 Puts 13,267 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	3,370	584	532½	Alliance & Leic	578	+6	L16.2	2.5	3.5	14.2
§100	F.P.	25.0	100	99	Aurora Inv Trust	100					
–	F.P.	4,319	308½	289½	Cable 3 Wireless	290	-2				
§40	F.P.	12.6	65	54½	†Charlton Athltc	57½					
	F.P.	38.0	95	95	Close Bros Pr VCT	95					
§130	F.P.	[illegible]									

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 6	% chg on day	May 2	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (32)	1519.29	+1.7	1493.36	2289.81	2.30	–	2362.86	1493.36
■ Regional Indices								
Africa (14)	1756.51	+1.8	1724.86	3113.58	5.08	27.85	3197.52	1724.86
Australasia (6)	1765.03	−1.5	1792.51	2795.85	3.04	20.75	2844.14	1765.03
North America (12)	1426.23	+2.3	1394.39	1994.75	0.94	54.57	2126.45	1335.84

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	May 6	Day's chge%	May 2	May 1	Apr 30	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4519.3	+1.4	4455.6	4445.0	4436.0	3723.0	3.60	2.05	16.93	67.69	1920.35
FTSE 250	4520.2	+0.5	4498.1	4502.1	4498.7	4525.5	3.58	1.55	22.58	61.09	1877.75
FTSE 250 ex IT	4544.2	+0.4	4526.8	4533.5	4530.9	4567.5	3.71	1.57	21.41	63.31	1892.95
FTSE 350	2203.3	+1.2	2176.3	2172.5	2168.7	1892.0	3.60	1.95	17.82	32.35	1911.91
FTSE 350 Higher Yield	2131.1	+0.9	2111.1	2107.0	2106.0	1819.9	4.63	1.83	14.70	38.55	1565.67
FTSE 350 Lower Yield	2282.0	+1.5	2247.3	2244.0	2237.0	1971.4	2.54	2.16	22.72	25.64	1621.70
FTSE SmallCap	2301.16	+0.2	2295.52	2296.34	2295.46	2225.05	3.04	1.69	24.29	26.59	1944.87
FTSE SmallCap ex IT	2302.07	+0.1	2300.10	2301.61	2300.63	2220.75	3.25	1.77	21.75	28.63	1961.52
FTSE All-Share	2167.26	+1.2	2142.25	2138.89	2135.31	1877.91	3.56	1.93	18.18	31.30	1908.60

■ FTSE Actuaries Industry Sectors

	May 6	Day's chge%	May 2	May 1	Apr 30	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4196.32	+2.4	4098.37	4112.33	4120.59	3437.53	3.56	2.06	17.08	70.49	1871.83
12 Extractive Industries(5)	4197.82	−0.3	4212.42	4201.29	4157.49	4769.29	3.75	2.38	13.98	104.80	1283.14
15 Oil, Integrated(3)	4339.27	+3.0	4212.84	4232.67	4251.24	3403.97	3.74	2.00	16.68	70.72	1988.17
16 Oil Exploration & Prod(12)	3455.79	+0.8	3429.06	3430.04	3423.03	2458.74	1.67	2.20	34.00	36.78	2116.55
20 GEN INDUSTRIALS(269)	1966.52	+0.5	1956.61	1948.31	1949.07	2134.91	4.07	1.91	16.13	29.57	1116.63
21 Building & Construction(35)	1387.96	......	1387.46	1383.58	1373.58	1245.76	3.11	1.94	20.69	22.49	1205.07
22 Building Matls & Merchs(31)	1900.64	+0.4	1892.97	1884.55	1882.52	1969.05	4.22	2.77	10.70	29.04	997.73
23 Chemicals(26)	2254.70	+0.6	2241.05	2244.10	2248.54	2525.43	4.66	1.46	18.39	39.07	1113.14
24 Diversified Industrials(16)	1511.03	+1.5	1488.48	1480.71	1488.35	1784.67	4.80	1.97	13.20	33.05	892.98
25 Electronic & Elect Equip(38)	2104.69	+0.5	2095.25	2096.63	2101.24	2408.74	3.74	1.56	21.39	13.11	1124.55
26 Engineering(69)	2520.28	+0.5	2508.31	2492.27	2493.97	2463.06	3.36	2.46	15.11	31.12	1576.28
27 Engineering, Vehicles(13)	2749.30	−0.3	2758.10	2754.24	2723.44	3065.23	4.05	‡	‡	38.40	1471.68
28 Paper, Pckg & Printing(27)	2326.39	−0.1	2329.14	2355.44	2366.16	2785.16	4.50	1.87	14.85	41.86	1008.93
29 Textiles & Apparel(14)	1057.79	−0.4	1062.42	1065.77	1067.90	1427.73	6.68	0.96	19.57	28.02	687.11
30 CONSUMER GOODS(94)	[illegible]										
32 Alcoholic Beverages(7)	[illegible]										
33 Food Producers(25)	[illegible]										
34 Household Goods(17)	[illegible]										
35 Health Care(15)	[illegible]										
37 Pharmaceuticals(18)	[illegible]										
38 Tobacco(2)	[illegible]										
40 SERVICES(271)	[illegible]										
41 Distributors(30)	[illegible]										
42 Leisure & Hotels(31)	[illegible]										
43 Media(44)	[illegible]										
44 Retailers, Food(15)	[illegible]										
45 Retailers, General(53)	[illegible]										
47 Breweries, Pubs & Rest.(22)	[illegible]										
48 Support Services(54)	[illegible]										
49 Transport(22)	[illegible]										
60 UTILITIES(31)	[illegible]										
62 Electricity(9)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(8)	[illegible]										
68 Water(12)	[illegible]										
69 NON-FINANCIALS(675)	[illegible]										
70 FINANCIALS(108)	[illegible]										
71 Banks, Retail(9)	[illegible]										
73 Insurance(18)	[illegible]										
74 Life Assurance(7)	[illegible]										
77 Other Financial(25)	[illegible]										
79 Property(44)	[illegible]										
80 INVESTMENT TRUSTS(127)	[illegible]										
89 FTSE All-Share(908)	2167.26	+1.2	2142.25	2138.89	2135.31	1877.91	3.56	1.93	18.18	31.30	1908.60
FTSE Fledgling	[illegible]										
FTSE Fledgling ex IT	[illegible]										

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4501.1	[illegible]									
FTSE 250	4519.6	[illegible]									
FTSE 350	2196.2	[illegible]									

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Constrn	[illegible]											
Pharmaceuticals	[illegible]											
Water	[illegible]											
Banks, Retail	[illegible]											

 † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent.

The Financial Times plans to publish a Survey on

Leeds

on Thursday, July 3

For further information, please contact:
Pat Looker on Tel: +44 161 834 9381 Fax: +44 161 832 9248
or your usual Financial Times representative

FT Surveys

هكذا من الأصل

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

INDICES

	May 6	May 5	May 2	1997 High		1997 Low	
Argentina							
General(29/12/77)	(u)	21467.05	21317.77	21551.32	24/2	18237.37	2/1
Australia							
All Ordinaries(1/1/80)	2512.8	2492.7	2491.6	2512.80	6/5	2352.20	1/4
All Mining(1/1/80)	885.6	886.8	886.6	987.10	24/2	878.40	16/4
Austria							
Credit Aktien(30/12/84)	407.26	402.85	401.79	416.23	11/3	374.40	9/1
Traded Index(2/1/91)	1217.47	1211.55	1205.71	1256.43	11/3	1139.22	9/1
Belgium							
BEL20(1/1/91)	2253.87	2254.87	2253.83	2254.87	5/5	1871.05	2/1
Brazil							
Bovespa(29/12/83)	(u)	9994.0	10074.0	10074.00	2/5	8.00	29/4
Canada							
Metals Mins(1975)	(u)	5358.08	5384.70	5891.75	10/3	4945.95	11/4
Composite(1975)	(u)	6150.73†	6106.90	6332.90	10/3	5578.30	14/4
Portfolio$$(4/1/83)	(u)	3133.80	3115.33	3214.10	10/3	2846.02	11/4
Chile							
IGPA Gen(31/12/80)	(u)	5354.44	5356.17	5443.52	25/2	4912.42	2/1
Denmark							
CopenhagenSE(3/1/83)	554.45	549.04	546.52	555.49	11/3	470.14	2/1
Finland							
HEX General(28/12/90)	3031.04	2997.57	2972.49	3031.04	6/5	2483.28	2/1
France							
SBF 250(31/12/90)	1775.53	1788.32	1777.93	1815.36	10/3	1533.19	2/1
CAC 40(31/12/87)	2651.93	2672.94	2655.31	2709.21	10/3	2256.97	2/1
Germany							
FAZ Aktien(31/12/58)	1217.57	1208.29	1184.37	1217.57	6/5	986.21	2/1
Commerzbank(1/12/53)	3570.5	3544.3	3543.00	3570.50	6/5	2835.90	2/1
DAX(30/12/87)	3588.28	3528.78	3460.37	3588.28	6/5	2848.77	2/1
Greece							
Athens SE(31/12/80)	1519.48	1518.42	1494.97	1519.48	6/5	954.54	2/1
Hong Kong							
Hang Seng(31/7/64)	13579.34	13399.34	13081.70	13868.24	20/1	12055.17	3/4
India							
BSE Sens.(1979)	3781.49	3756.78	3801.71	3944.81	4/3	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	659.60	652.78	647.89	712.60	26/2	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3196.06	(c)	3165.47	3165.47	2/5	2725.67	2/1
Italy							
Banca Comm. Ital.(1972)	777.69	771.97	772.00	797.71	10/2	642.55	2/1
MIB General(2/1/97)	1170.0	1161.0	1161.0	1197.09	10/2	991.09	2/1
Japan							
Nikkei 225(16/5/49)	20180.92	(c)	19514.75	20180.92	6/5	17303.65	10/1
Nikkei 300(1/10/82)	293.64	(c)	285.23	293.64	6/5	251.04	27/1
Topix(4/1/68)	1509.13	(c)	1467.53	1509.13	6/5	1320.82	10/4
2nd Section(4/1/68)	1710.64	(c)	1685.87	1829.21	6/1	1518.50	15/4
Malaysia							
KLSE Comp.(4/4/86)	1090.00	1094.97†	1097.96	1271.57	25/2	1058.51	29/4
Mexico							
IPC(Nov 1978)	(u)	(c)	3764.88	3938.89	25/2	3359.46	2/1
Netherland							
CBS TRtnGen(End 83)	905.3	900.1	890.2	905.30	6/5	738.80	3/1
CBS All Shr(End 83)	529.2	526.2	520.4	529.20	6/5	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	2305.24	2276.61	2277.53	2440.21	20/1	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	1868.14	1865.16	1846.08	1941.49	20/2	1639.03	2/1
Philippines							
Manila Comp(2/1/85)	2776.53	2736.42	2605.65	3447.60	3/2	2605.65	2/5
Portugal							
BVL 30(4/1/93)	2888.97	2889.11	2840.11	2889.11	5/5	2165.57	2/1
Singapore							
SES All-S'pore(2/4/75)	486.57	490.97	486.13	578.03	17/2	479.84	29/4
South Africa							
JSE Gold(28/9/78)	1212.3♥	1205.7	1181.6	1588.10	27/2	1181.60	2/5
JSE Ind.(28/9/78)	8568.7♥	8563.4	8538.5	8568.70	6/5	7869.50	2/1
South Korea							
KoreaCompEx**(4/1/80)	701.57	(c)	708.10	721.00	14/2	611.05	7/1
Spain							
Madrid SE(30/12/85)	524.21	525.85	(c)	525.85	5/5	434.54	2/1
Sweden							
AffarsvarldnGen(1/2/37)	2777.7	2772.0	2725.0	2832.40	10/3	2378.50	2/1
Switzerland							
Swiss Bk Ind(31/12/58)	2368.39	2382.93	2343.64	2382.93	5/5	1897.95	13/1
SBC General(1/4/87)	1650.67	1662.52	1638.60	1662.52	5/5	1318.14	6/1
Taiwan							
WeightedPr.**(30/6/66)	8294.27	8269.43	8187.00	8861.72	26/4	6844.75	8/1
Thailand							
Bangkok SET(30/4/75)	643.28	(c)	660.10	858.97	22/1	643.28	6/5
Turkey							
IMKB Nat 100(1986)	1433.00	1392.00	1431.00	1694.00	21/3	885.00	2/1
WORLD							
MS Capital Intl(1/1/70)	874.6*	866.1	856.0	874.60	6/5	794.80	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2289.32	(c)	2247.26	2289.32	6/5	1893.80	2/1
Euro Top-100(26/6/90)	1951.35	1937.37	1919.61	1951.35	6/5	1582.98	2/1
HSBC JC Orgn(31/12/88)	(u)	397.04	390.98	429.46	20/1	381.54	29/4
MS Emgs Euro(7/1/92)	174.88	174.65	173.40	181.33	28/2	159.74	3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
May	2680.0	2645.0	-17.0	2680.0	2627.0	15,073	25,949
Jun	2657.0	2621.0	-17.0	2657.0	2602.5	1,411	24,241
DAX							
Jun	3609.0	3555.0	-20.5	3624.0	3546.0	27,317	–
Sep	3646.0	3580.5	-19.0	3647.0	3574.0	599	–
OMX							
Apr	2185.00	2189.00	+3.00	2195.00	2159.00	8,080	22,903
May	2189.00	2171.50	+2.75	2200.00	2171.50	1,079	1,493
SOFFEX							
May	5064.0	4984.0	-48.0	5070.0	4960.0	5,445	25,736
Jun	5053.0	4966.8	+157.0	5053.0	5053.0	157	911

** Sat May 3: Taiwan Weighted Price 8314.67; Korea Comp Ex 704.87. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & ... † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each ...

US INDICES

Dow Jones	May 5	May 2	May 1	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7214.49	7071.20	6976.48	7214.49 (5/5)	6391.69 (11/4)	7214.49 (5/5/97)	41.22 (8/7/32)
Home Bonds	101.98	101.89	101.75	103.83 (19/2)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2624.01	2605.83	2544.18	2624.01 (5/5)	2222.07 (2/1)	2624.81 (5/5/97)	13.23 (8/7/32)
Utilities	226.52	220.72	216.46	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 7232.15 (7104.51) Low 7029.45 (6935.54) (Theoretical♣)
Day's high 7215.29 (7077.62) Low 7056.35 (6976.88) (Actual♣)

Standard and Poors	May 5	May 2	May 1	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	830.24	812.97	798.53	830.24 (5/5)	737.01 (2/1)	830.24 (5/5/97)	4.40 (1/6/32)
Industrials♥	976.56	954.41	938.77	976.56 (5/5)	865.42 (11/4)	976.56 (5/5/97)	3.52 (30/6/32)
Financial	93.86	92.81	90.55	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	431.43	422.97	415.71	431.43 (5/5)	389.47 (11/4)	431.43 (5/5/97)	4.64 (25/4/42)
Amex Comp.	572.58	568.50	558.50	609.63 (10/3)	541.20 (28/4)	617.61 (22/5/96)	524.20 (18/7/96)
NASDAQ Comp	1339.24	1305.33	1270.50	1388.06 (22/1)	1201.00 (2/4)	1388.86 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	May 2	Apr 25	Apr 18	Year ago
Dow Jones Ind. Div. Yield	1.73	1.82	1.82	2.21
	Apr 30	Apr 23	Apr 16	Year ago
S & P Ind. Div. yield	1.75	1.80	1.82	1.86
S & P Ind. P/E ratio	22.89	22.19	21.85	21.60

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Philip Mrrs	9,184,200	44	+4¼
Wal-Mart	5,751,700	28¼	-¼
Pepsico	5,424,900	36⅝	+1⅛
Motorola	4,570,900	63¼	+2¾
Phrm UpJohn	4,119,900	31½	+2¼
Exxon	3,837,300	58⅝	+2¼
Seagate Tch	3,802,200	53¼	+3⅛
Central&Sth	3,778,000	20¾	+¼
Chrysler	3,710,900	30	+⅛
Columb/HCA	3,583,600	36¾	+1⅝

■ TRADING ACTIVITY

● Volume (million)

	May 5	May 2	May 1
New York SE	552,578	499,731	463,712
Amex	21,359	18,322	20,452
NASDAQ	847,810	734,847	626,482
NYSE			
Issues Traded	3,338	3,341	3,313
Rises	1,974	2,129	1,458
Falls	680	482	1,023
Unchanged	684	730	832
New Highs	290	186	75
New Lows	11	17	28

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Jun	837.00	834.30	-2.30	838.40	831.00	87,130	186,286
Sep	841.00	842.00	-3.05	845.50	840.50	1,346	6,889

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Jun	20100.0	20190.0	+660.0	20270.0	20030.0	28,400	230,782
Sep	20100.0	20240.0	+740.0	20250.0	20080.0	124	4,987

Open interest figures for previous day.

NORTH AMERICA

CANADA

TORONTO (May 6 / Can $)

4 pm close

Prices supplied by Telekurs, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, May 6, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel Cp	23.1m	387	+12	NKK Corp	11.1m	286	+11
Hitachi	15.8m	1300	+70	Nomura Secs	10.7m	1540	+60
Fujitsu	12.1m	1400	+30	NEC Corp	10.1m	1640	+50
Matsushita E Ind	11.3m	2270	+120	Toshiba Corp	8.3m	770	+17

NEW YORK STOCK EXCHANGE PRICES

4 pm close May 6

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
		- A -								
31 7/8	24 1/4	AAR x	0.48	1.5	24	576	u32	31 5/8	31 5/8	-1/4
43	33 1/8	AMP x	1.04	2.8	29	4780	37 1/8	36 5/8	37	+1/8
95 1/4	78 1/4	AMR			7	10047	94 1/4	91 1/4	91 3/8	-2 5/8
37 5/8	31 5/8	ASA	1.20	3.7	21	362	32 1/2	31 3/4	32 1/8	-5/8
63 3/8	49 3/4	AbbtL x	1.08	1.7	26	11692	u63 3/4	62 3/4	63 1/4	-1/8
17 1/2	14 1/8	Abitibi Pr	0.40	2.3	8	286	17 3/8	17 1/8	17 1/4	-1/8
19 3/4	17 3/8	ABM Ind x	0.40	2.1	17	97	19 1/8	19	19 1/4	+1/8
23	17 3/4	Acptncain			8	402	20	19 1/2	19 1/2	-1/4
68 5/8	58 1/4	ACE Ltd	0.72	1.2	10	888	61 1/4	60 3/4	61 1/8	-1/4
10 3/4	10	ACM Gvt In	0.90	8.7	11	136	10 3/8	10 1/4	10 3/8	+1/8
7 5/8	7	ACM GvOpp	0.63	8.4		148	u7 5/8	7 1/2	7 1/2	-1/8
9 7/8	9 1/4	ACM Man	0.90	9.4		219	9 5/8	9 1/2	9 5/8	
10 3/8	6 1/4	Acme Elect				127	7	6 3/4	7	
20	13 1/4	Acme Mtls				70	15 3/8	14 7/8	14 7/8	-1/4
17 1/8	14	ACNielsen			29	1453	16	15 1/2	16	+1/4
33	27 1/4	Acordia	0.80	2.5	15	239	31 7/8	31 1/2	31 7/8	+1/8
29 3/4	21 1/8	Acuson				2516	25 7/8	24 3/4	25 3/8	+3/8
21 7/8	19 3/8	Adams Expr	0.65	2.5	1	183	u21 5/8	21 1/4	21 5/8	+1/4
48 1/2	24 7/8	AdvMic				12586	44 3/4	42 1/2	42 7/8	-1 1/2
15	10 3/8	Advest Grp	0.08	0.2	9	80	14	13 1/2	13 1/2	-3/8
14 5/8	11 3/8	Advo Inc			16	229	13 5/8	13 3/8	13 5/8	+1/8
79 5/8	61 1/8	Aegon	1.45	2.0	20	41	73 1/2	72 3/8	72 3/4	-3/8
6 1/8	3 1/8	Aerflx				295	4	3 1/2	4	+3/8
43 1/2	33	Aero-V	0.80	1.9	12	892	42 1/2	41 1/4	41 3/4	-5/8

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NYSE PRICES

4 pm close May 6

Continued from previous page

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng Prev. Close
23¾	17¾	Zero	0.12	0.6	14	150	20⅝	19	19	-1⅝
11½	10¾	ZweigFd♣	1.16	10.3		279	11⅜	11¼	11¼	
8¾	8	Zweig Totl	0.84	9.7		882	d8¾	8⅝	8⅝	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. *Sales figures are unofficial.*

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

NASDAQ NATIONAL MARKET

4 pm close May 6

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08	318	47	u13⅜	12¾	12¾	-⅜
Kaman Cp	0.44	24	359	14	13⅝	13¾	
Kelly Sv	0.84	14	431	28½	27¼	27¾	-1¼
Kimball	1.04	14	496	39½	38¼	39⅛	+⅝
KLA-Tn		26	21380	u51⅞	48¾	50	+⅝
Koll A			1352	⅛	d1/32	0.11	
Komag♣		20	11289	33⅛	31¼	32⅞	+½
Kulicke S			9160	32½	31⅛	31 7/16	-11/16

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow♣		12	134	16	15¼	15¼	-⅛
Rallys			76	3 1/16	2 31/32	2 31/32	
Raymond	0.25	15	711	u31	30¼	30½	+¼
RCSB Fin	0.60	11	4586	32⅛	29⅞	31¼	+1 3/16
Read-Rite			20068	29⅛	28	28⅜	-⅜

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx♣		38	22446	u55	51¾	52 13/16	-1 11/16
Xircom		18	10082	13⅞	12¼	12⅞	-½
Xpedient Corp			9594	5¼	4¾	4 13/16	+3/16
Yellow			2177	21⅛	20½	20⅝	-⅜
York Rsch		15	223	8	7⅝	7¾	
ZionsUtah	1.76	18	323	132¼	129¾	130¼	-½

AMEX PRICES

4 pm close May 6

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7.125		3080	8.25	7	Esprit Telecom ADS	US$5.875	-0.125	1300	12.25	5.875
Artwork Systems	US$10.375		8025	11	9.5	Innogenetics	US$11.625		13150	12.75	10.375
Chemunex	FFr16		223518	18	16	Mercer Internl.	US$9xd	+0.375	3790	11.75	8.125
Dr Solomon's ADS	US$21.875	+0.125	0	28.5	16.875	PixTech	US$4.5		0	6.125	4.25

Prices for 6/5/97. Please note that mid prices are now used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be

EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990)

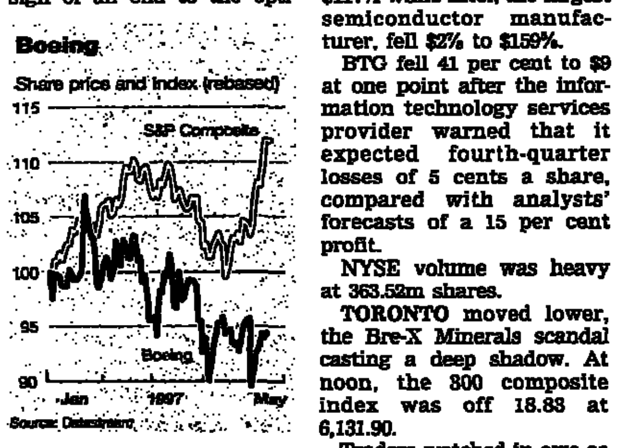
US shares continue to peak

AMERICAS

Continued optimism helped consolidate gains in the Dow Jones Industrial Average after its all-time high on Monday. Blue chip gains pushed the leading indicator up 26.49 to 7,241.78, *writes Jane Martinson in New York.*

Otherwise, trading was more mixed. The technology-driven Nasdaq composite index appeared to fall victim to profit takers, while the more broadly-based S & P 500 eased 0.36 to 829.93.

Mr Michael Metz, chief investment strategist at Oppenheimer & Co, said that there seemed no immediate sign of an end to the optimism that had seen stocks rebound from a spring dip: "It's sort of a mania at the moment. It's really beyond any fundamental criteria."



However, Mr Laszlo Birinyi, president of Birinyi Associates, said there was no reason why the leading average should not rise to 8,000 later this year. "It's not so much the business cycle as the cycle of psychology. People want to make money and the market is providing them with an opportunity to do so at the moment," he said.

Consumers' groups and cyclical groups appeared to be providing most of the momentum.

Procter & Gamble was up \$1¼ at \$131½ and Du Pont rose \$1⅛ to \$109⅝. Boeing rose \$¾ to \$100¾ while General Motors added \$1¼, or 2 per cent, to \$59¼.

Mr Metz said the desire to participate had led to a knock-on effect on the secondary markets with investors looking for value in the smaller capitalised stocks, which were moderately higher.

The Nasdaq index fell 7.82 to 1,331.42 by midsession, a decline that followed a strong resurgence over the previous week. Among stocks hit by profit-taking were Microsoft, down \$2½ at \$117⅛ while Intel, the largest semiconductor manufacturer, fell \$2⅞ to \$159⅝.

BTG fell 41 per cent to \$9 at one point after the information technology services provider warned that it expected fourth-quarter losses of 5 cents a share, compared with analysts' forecasts of a 15 per cent profit.

NYSE volume was heavy at 363.52m shares.

TORONTO moved lower, the Bre-X Minerals scandal casting a deep shadow. At noon, the 300 composite index was off 18.83 at 6,131.90.

Traders watched in awe as the Bre-X shares collapsed to a point where they almost disappeared entirely. By the end of the morning the stock was changing hands at just 7 cents, down C\$3.16, in volume of 43m shares.

At their peak last year, the shares stood at C\$28.65.

Minorca Resources, which has a royalty interest in Bre-X's fraudulent Indonesian gold deposit, traded down to 93 cents, a fall of C\$1.10.

Among leading stocks, Barrick Gold added 30 cents to C\$32.55 and Placer Dome put on 45 cents to C\$24.60.

This partly reflected a flight to quality among mining investors, said one broker.

CVRD sale suspended

SAO PAULO traded sharply higher as the delayed privatisation of Cia Vale do Rio Doce, the state miner, finally got under way. The market remained strong at midsession, in spite of the suspension of the auction as government lawyers examined a court injunction, issued by a regional tribunal in Rio de Janeiro.

At noon, the Bovespa index was 255 or 2.6 per cent higher at 10,249.

The injunction arrived with bidding at R\$30.20 a share, compared with a minimum price of \$26.67.

CARACAS traded higher as it followed the fortunes of CANTV, the telecommunications monopoly that began rallying last week after it posted solid first quarter results.

The IBC index was 71.06 or 1.1 per cent higher at 6,522.12 by midsession as CANTV class D shares rose 60 bolivars to 2,320.00 bolivars, a 15.4 per cent rise over their level a week earlier.

Brokers said that CANTV appeared to be in strong demand by one foreign hedge fund that was frantically scooping up the share.

South Africa hits new peak

Johannesburg moved up to best-ever levels, but volume was dull and traders said the market did little more than tick over outside of a handful of leaders.

At the close, the all-share index was up 21.6 to a new peak of 7,212.0.

The broader market was far more pedestrian.

Industrials gained 5.3 to 8,568.7 and golds added 6.6 to 1,212.3.

A number of leaders such as Amic, Minorco and Anglo American gained ground but there were plenty of weak spots, notably Edgars, the fashion chain that is part of the South African Breweries group.

Disappointing results left Edgars down R4.75 at R110.

Nestlé figures prompt Zurich profit-taking

EUROPE

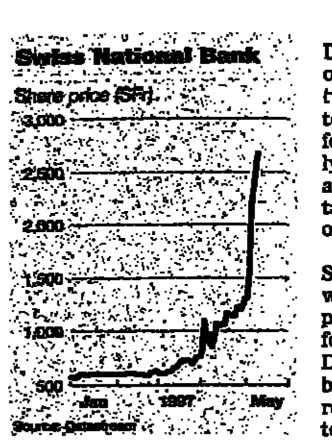
With bonds and the dollar off their best, traders took profits. **ZURICH** pulled back after four successive record closing highs, prompted by disappointing first-quarter sales figures from Nestlé.

The SMI index closed 41.2 lower at 4,988.4. Nestlé gave up SFr40 to SFr1,802 after the group's 18.7 per cent rise in first-quarter sales failed to match analysts' expectations of a currency-related rise of at least 20 per cent.

Against the trend, Roche certificates managed a SFr20 rise to SFr12,710 after the group repeated its profit expectations for 1997.

Shares in the Swiss National Bank continued their meteoric, if mysterious, rise, jumping 21 per cent on the day on top of Monday's 45 per cent surge, which took gains since the start of April to 248 per cent. The bank said that it saw no reason for the gains, which it attributed to speculative demand, exacerbated by the thin market in which the shares were traded.

Analysts pointed, however, to a local press report that mentioned rumours that the bank might be about to make some form of offer to small shareholders. There were also suggestions that the stock had been tipped by a small newsletter. SNB shares finished SFr460 higher at SFr2,645, after a day's peak of SFr3,000.



FRANKFURT sailed over the 3,600 level at one point but brokers were conscious that the Dax index had been trading under 3,400 a week earlier, and the key index came back from a high of 3,612.46 to close 17.17 lower at 3,548.52.

There were still strong points, noted Ms Barbara Altmann at B Metzler. Veba, the electricity, oil and chemicals combine, produced a 7 per cent gain in first-quarter profits against the 5 per cent Metzler expected, and the shares led the Dax up with a gain of DM2.72 or 8 per cent at DM92.92.

Lufthansa, 69 pfg higher at DM26.49, took its gains to over 20 per cent in just over two weeks, *in the run up to* today's earnings press conference at which some analysts expected the airline to announce a swing to a pre-tax profit in the first quarter of 1997.

However, lower profits at SGL Carbon were greeted with a fall of DM8.50 or 3.4 per cent to DM2.40. Deutz fell 50 pfg or 2.9 per cent to DM16.50 although the engine builder forecast further recovery in 1997. Sentiment took over from fundamentals at SAP, the software group's prefs falling DM120.60 or 3.3 per cent to DM314.50 in the wake of the insider dealing furore.

PARIS moved lower in dull volume, unsettled by opinion polls suggesting that the left had drawn level with the ruling coalition in the French election race.

Equities tracked a downturn for both bonds and the franc. "In the circumstances we probably did well to finish 11 points off the day's low," said one broker. The CAC 40 closed down 20.91 at 2,651.93 in 9.8m volume.

There were few strong corporate stories. Carrefour shed FFr72 to FFr3,688 after disappointing sales and Total's turnover figures also sparked selling. The oil giant came off FFr6.20 to FFr484.30. Bancaire lost FFr16 to FFr753 following a downgrade from hold to lighten by SBC Warburg.

Peugeot, which stood at FFr660 in March, continued to rally in an otherwise dull motor sector, adding FFr26 at FFr614. Seita jumped FFr4.50 to FFr206.50 as the tobacco group's shares responded to the latest news on health litigation from the US courts.

AMSTERDAM notched up a record close but traded very narrowly in low volume. PolyGram provided the day's main spark and there was a solid gain at Ahold. The AEX index ended up 2.19 at 781.76 having traded within a range of just eight points during the session.

Ahold rose Fl 2.00 to Fl 142 after the retailer turned in first-quarter like-for-like sales growth of 17 per cent. But PolyGram led the pack, jumping Fl 2.70 or 2.8 per cent to Fl 99.40. Royal Dutch continued to rally, adding Fl 5.50 to Fl 355.50 for a two-day gain of 3.1 per cent.

MILAN turned higher, taking its lead from Wall Street and as hopes were revived of a cut in domestic interest rates. The Comit index picked up 5.82 to 777.69.

Fiat added L103 to L5,798 after the company said it believed that the Italian car market rose more than 40 per cent in April.

HPI eased L5.4 at L873 as it continued to be penalised by the failed merger with Marzotto.

Mediobanca rose L124 to L10,385, recovering from Monday's sharp fall after the failure of the HPI-Marzotto deal, while Marzotto jumped L546 to L12,875.

Ifil, the Agnelli family holding company, added L239 at L5,173 after it said it had signed agreement to form a long-term Italian distribution alliance between its Rinascente unit and France's Auchan.

HELSINKI closed just off the top, the Hex index rising 33.47 or 1.1 per cent to a new all-time high of 3,031.04.

Forestries liked the news that James River and Fort Howard were merging in the US, and the forecast from Momentum, the Swedish consultancy group, that there could be a sharp downturn in Norscan pulp stocks in April. However, the sector index tracked the Hex with a 1.1 per cent gain, well behind the 4 per cent rise in US paper stocks overnight.

Amer, the sporting goods and tobacco group, jumped FM6.50 to FM99.50 on its proposal to convert vote-strong K shares into A shares. Orion, the pharmaceuticals group, put on FM5.90 at FM202 after it acquired the right to sell 50 drugs in Germany from Nycomed, the Norwegian group.

ISTANBUL recouped Monday's losses as weak demand at the day's treasury bond auction suggested improved liquidity for equities. The IMKB National-100 index, down 2.7 per cent on Monday on concerns over the political outlook, poor inflation data and disappointing company results, picked up 41 or 3 per cent to 1,433.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

May 6 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2291.78	2291.82	2291.38	2292.49	2293.88	2292.91	2290.17	2289.32
FTSE Eurotrack 200	2312.20	2314.17	2313.39	2329.81	2330.01	2328.35	2328.22	2325.75

	May 2	May 1	Apr 30	Apr 29	Apr 28
FTSE Eurotrack 100	2247.25	2228.09	2210.83	2192.48	2196.79
FTSE Eurotrack 200	2278.60	2264.94	2251.95	2231.19	2233.11

Base value 1000 (26/10/90); Highday: 100 - 2294.63; 200 - 2333.54 Lowday: 100 - 2288.92 200 - 2311.80. † Partial

Tokyo surges 3.4% to regain 20,000 point level

ASIA PACIFIC

Encouraged by New York's record gains overnight and interest in NTT, the telecommunications leader, **TOKYO** surged 3.4 per cent in heavy volume to regain the 20,000 point level for the first time since last December, *writes Gwen Robinson.*

The Nikkei 225 average jumped 666.17 to 20,180.92 after moving between 19,616.76 and 20,222.52. Strong performances by high-tech issues on Wall Street prompted investors to seek similar issues in Tokyo, closed on Monday for a national holiday, from the outset.

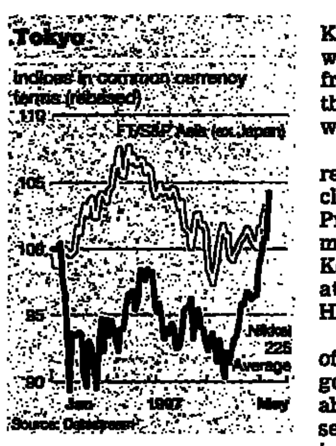
Active buying by foreign investors and securities houses drove up carmakers, among other blue-chip winners, and NTT, which is to be included shortly in the Morgan Stanley Capital index. However, some analysts warned that much of yesterday's buying was due to technical factors that would not support the market at higher levels without concrete incentives.

Volume ballooned from Friday's 487m shares to an estimated 715m. Advances led declines 1,092 to 91, with 78 unchanged. The Topix index of all first-section stocks added 41.60 to 1,509.13 and the capital-weighted Nikkei 300 was up 8.41 at 293.64.

NTT rose Y27,000 to Y997,000, after breaching the Y1m level in earlier trading for the first time since February 1994.

Among blue-chip exporters, Sony added Y140 to Y9,500 after a record intra-day high of Y9,590, and Toyota finished at an all-time high of Y4,030, up Y220. The carmaker is expected to announce record earnings for the year to March later this month. Honda advanced Y80 to Y4,080.

Matsushita Electric Industrial rose Y120 to Y2,270 after an intra-day high of Y2,280, on reports that the company plans to enter the digital television broadcasting business in Britain through a link with Mr Rupert Murdoch's BSkyB.



Among other electrical and high-tech winners TDK rose Y120 to Y9,400, Canon Y100 to Y3,270 and Hitachi Y70 to Y1,300.

Large-capital steelmakers rose more than 4.5 per cent as a group, on expectations that they would soon raise their product prices due to the yen's recent weakness against the dollar.

Nippon Steel added Y12 to Y387 in the day's heaviest volume of 23m shares. NKK Corp rose Y11 to Y286 and Kawasaki Steel by Y5 to Y387.

In Osaka, the OSE average leaped 623.77 to 21,192.05 and volume swelled to 57.2m shares. In London, the ISE/Nikkei 50 index climbed 0.37 to 1,624.39.

HONG KONG extended its powerful advance into a fifth consecutive session as Wall Street's overnight performance swept local prices higher. The Hang Seng index jumped 180.00 or 1.3 per cent to 13,579.34, off an intra-day high of 13,679.92, for a five-day rally of 7.8 per cent.

Turnover climbed to HK\$15.4bn, the fourth heaviest ever.

Analysts said that Hong Kong's strong momentum was supported by inflows from other Asian markets that were not performing as well.

HSBC soared to another record high at HK\$207 before closing at HK\$205, up HK\$3. Property stocks lost early momentum, with Cheung Kong closing down 50 cents at HK\$73, off a high of HK\$75.25.

SYDNEY rose on the back of Wall Street overnight and good demand for banks ahead of the interim results season. The All Ordinaries index gained 20.1 to a record 2,512.8, after 2,518.5. NAB, Westpac and St George all report next week and the sector index gained 1.2 per cent. NAB put on 23 cents to A\$18.02 on 4.1m shares traded.

WELLINGTON closed higher on interest rate optimism. The 40 capital index added 28.63 to 2,305.24. "The Dow's overnight gains helped, but the real drive came from local jobs data *which* reinforced hopes for a sustained decline in interest rates," said one broker.

Brierley Investments was active, closing up 4 cents at NZ\$1.34 in 11.1m shares traded.

MANILA continued to rebound on bargain-hunting. The composite index jumped 40.11 to 2,776.53 for a two-day rally of 6.5 per cent. Turnover was 3.02bn pesos, 1bn pesos less than on Monday.

SINGAPORE saw the best of the day's activity in recently listed electronics sector issues although bank and property issues were also sought, despite the uncertain outlook for property prices. The Straits Times Industrial index closed 27.08 up at 2,055.68.

BANGKOK stood out against the broad uptrend in the region, sliding 2.5 per cent on the SET index, which closed off 16.23 at 643.87 in moderate Bt2bn turnover.

Brokers said worries about the economy and first-quarter company results continued to weigh heavily on sentiment. The finance sector fell 4.9 per cent.

SHENZHEN's hard currency B shares picked up 1.7 per cent, supported by Beijing's positive economic forecast for the first half of 1997.

The index rose 3.06 to 184.20 while the domestic A index was 3.4 per cent better.

SHANGHAI's B shares continued their strong run, taking the index up 1.153 to 97.970 while the A index added 2.4 per cent.

DHAKA extended its rally into a seventh straight session as five of the nine elected members of the exchange's governing council resigned, demanding an immediate dissolution of the council and reforms.

The DSE index, sharply higher in the previous two sessions, finished 17.5 better at 1,119.87.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	MONDAY MAY 5 1997 — US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY MAY 2 1997 — US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX — 52 week High	52 week Low	Year ago (approx)
Australia (76)	227.77	-0.4	208.32	182.50	205.10	194.11	0.1	3.92	228.73	209.57	183.24	205.54	193.92	228.73	188.44	210.11
Austria (24)	181.47	0.0	165.97	145.40	163.40	163.34	0.2	1.94	181.40	166.20	145.32	163.01	162.94	195.04	174.70	185.47
Belgium (26)	243.64	0.0	222.83	195.21	219.38	214.70	0.2	3.33	243.65	223.24	195.19	218.95	214.34	243.65	205.89	207.35
Brazil (30)	246.06	-1.0	225.04	197.15	221.56	482.06	-1.0	1.56	248.58	227.76	199.14	223.38	486.90	248.58	157.23	157.23
Canada (114)	198.23	0.8	181.30	158.83	178.49	198.34	0.8	1.98	196.64	180.17	157.53	176.71	196.84	203.31	154.12	161.65
Denmark (32)	361.69	0.2	330.80	289.80	325.68	324.60	0.5	1.56	360.86	330.63	289.09	324.28	323.01	376.98	291.89	296.24
Finland (28)	260.94	0.2	238.65	209.07	234.96	286.21	0.6	1.59	260.29	238.48	208.52	233.90	284.43	268.58	183.06	187.72
France (91)	219.19	0.2	200.48	175.63	197.37	200.96	0.5	2.84	218.67	200.35	175.17	196.50	199.69	226.25	166.94	196.25
Germany (59)	204.62	1.6	187.14	163.95	184.25	184.25	1.9	1.53	201.32	184.45	161.28	180.91	180.91	207.65	164.47	164.47
Hong Kong (66)	478.23	2.1	437.39	383.17	430.62	475.65	2.1	3.16	468.55	429.30	375.38	421.05	468.05	514.49	407.55	422.36
Indonesia (27)	227.17	1.5	207.77	182.02	204.56	338.09	1.3	1.62	223.75	205.01	179.25	201.07	333.83	–	–	–
Ireland (16)	333.65	-0.1	305.16	267.33	300.43	315.65	0.0	3.03	334.10	306.11	267.65	300.23	315.65	343.35	270.08	273.93
Italy (59)	88.28	0.1	80.74	70.73	79.49	112.89	0.0	2.20	88.20	80.81	70.66	79.26	112.84	96.32	73.26	83.20
Japan (485)	118.84	0.0	108.69	95.22	107.01	95.22	0.0	0.82	118.86	108.90	95.22	106.81	95.22	161.04	107.57	161.04
Malaysia (107)	538.21	-0.1	492.25	431.23	484.63	519.55	-0.2	1.21	538.72	493.59	431.57	484.10	520.46	660.85	512.47	579.17
Mexico (27)	1352.52	0.2	1237.02	1083.68	1217.87	11682.33	0.0	1.24	1350.38	1237.27	1081.80	1213.49	11682.33	1445.68	1110.35	1233.63
Netherland (19)	356.10	0.9	325.69	285.32	320.64	316.63	1.1	2.47	352.82	323.27	282.65	317.05	313.11	357.18	279.88	288.72
New Zealand (14)	85.44	-0.6	78.15	68.46	76.94	65.86	-0.3	4.31	86.00	78.79	68.89	77.28	66.08	95.60	75.94	82.43
Norway (41)	296.39	0.3	271.08	237.47	266.88	288.27	1.4	2.12	295.36	270.62	236.61	265.41	284.42	321.23	243.72	249.04
Philippines (22)	164.31	4.8	150.27	131.65	147.95	215.90	4.7	0.86	156.84	143.70	125.65	140.94	206.15	–	–	–
Singapore (43)	374.56	1.4	342.59	300.13	337.29	249.62	1.3	1.13	369.61	338.56	296.02	332.05	246.42	448.01	360.08	435.82
South Africa (44)	364.29	0.5	333.18	291.88	328.02	354.84	0.7	2.37	362.32	331.97	290.25	325.58	352.56	370.12	301.49	362.17
Spain (35)	234.90	2.3	214.84	188.21	211.52	259.88	2.5	2.52	229.64	210.40	183.97	206.36	253.64	234.90	171.91	175.85
Sweden (49)	424.76	0.8	388.49	340.34	382.48	498.01	1.9	2.10	421.39	386.09	337.58	378.67	488.94	448.64	334.35	342.02
Switzerland (36)	275.03	1.2	251.54	220.36	247.64	251.72	1.5	1.31	271.81	249.04	217.75	244.25	248.10	275.03	229.36	237.91
Thailand (43)	75.68	0.1	69.22	60.64	68.15	76.63	0.0	4.06	75.64	69.30	60.59	67.97	76.63	184.18	73.98	161.92
United Kingdom (211)	286.56	0.2	262.09	229.60	258.03	262.09	0.0	3.75	286.05	262.09	229.16	257.05	262.09	287.23	228.85	229.16
USA (653)	336.17	2.1	307.47	269.35	302.70	336.17	2.1	1.81	329.19	301.61	263.72	295.82	329.19	336.17	254.79	262.10
Americas (824)	307.12	2.0	280.90	246.08	276.55	258.61	2.0	1.81	301.09	275.87	241.21	270.57	253.54	307.12	233.09	239.68
Europe (726)	250.33	0.7	228.95	200.57	225.40	234.59	0.8	2.70	248.71	227.87	199.24	223.49	232.80	250.33	204.71	206.78
Nordic (150)	369.09	0.6	337.57	295.72	332.34	371.58	1.4	1.94	366.95	336.21	293.97	329.75	366.42	365.85	291.45	294.84
Pacific Basin (883)	137.86	0.2	126.09	110.46	124.14	108.55	0.2	1.34	137.57	126.05	110.21	123.62	108.27	173.80	127.18	173.80
Euro-Pacific (1609)	184.75	0.5	168.98	148.03	166.36	156.14	0.6	2.10	183.91	168.50	147.33	165.27	156.29	191.51	173.55	187.43
North America (787)	327.69	2.1	299.70	262.55	295.06	327.02	2.1	1.82	321.07	294.18	257.21	288.52	320.43	327.69	248.65	255.85
Europe Ex. UK (515)	225.17	0.9	205.94	180.41	202.75	214.26	1.2	2.10	223.12	204.43	178.74	200.50	211.70	225.17	185.55	189.38
Pacific Ex. Japan (398)	298.72	0.9	273.21	239.35	268.98	259.98	1.0	2.83	296.12	271.32	237.23	266.10	257.32	320.65	268.97	293.43
World Ex. US (1824)	188.42	0.5	172.33	150.97	169.66	162.22	0.5	2.09	187.57	171.86	150.26	168.55	161.36	193.47	176.94	189.48
World Ex. UK (2266)	230.66	1.4	210.98	184.83	207.72	207.07	1.4	1.76	227.60	208.53	182.33	204.53	204.17	230.66	199.56	209.03
World Ex. Japan (1992)	295.06	1.5	269.86	236.41	265.68	286.13	1.5	2.17	290.77	266.41	232.94	261.29	281.84	295.06	233.10	239.04
The World Index (2477)	235.48	1.2	215.37	188.68	212.04	212.17	1.3	1.95	232.60	213.12	186.34	209.02	209.49	235.48	202.32	210.88

PLEASE NOTE: Amendments to indices 5/5/97 applied to USA, related regional indices and The World Index. CONSTITUENT CHANGE 6/5/97: Name change: ITT Hartford Group to Hartford Financial Services (USA). Latest prices were unavailable for this edition. Markets closed 5/5/97: Ireland, Japan, Mexico, Thailand and UK.

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